

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of the Ottawa Food Bank / la Banque d'alimentation d'Ottawa, which comprise the statement of financial position as at September 30, 2019, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material aspects, the financial position of the Ottawa Food Bank / la Banque d'alimentation d'Ottawa as at September 30, 2019, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Ottawa Food Bank / la Banque d'alimentation d'Ottawa derives revenue from cash donations, other fundraising sources and from food donations in-kind, the completeness of which is not susceptible to 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. Therefore, we were not able to determine whether any adjustments might be necessary to cash donations, community engagement event revenues and food donations in-kind revenues, food donations in-kind distributed, excess of revenues over expenses, cash flows from operations for the years ended September 30, 2019 and 2018, current assets as at September 30, 2019 and September 30, 2018 and accumulated net assets as at the beginning and the end of the years ended September 30, 2019 and 2018. Our audit opinion on the financial statements for the year ended September 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are independent of the Ottawa Food Bank / la Banque d'alimentation d'Ottawa in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Year in Review report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

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inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the Ottawa Food Bank / la Banque d'alimentation d'Ottawa's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Ottawa Food Bank / la Banque d'alimentation d'Ottawa or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Ottawa Food Bank / la Banque d'alimentation d'Ottawa's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Ottawa Food Bank / la Banque d'alimentation d'Ottawa's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ottawa Food Bank / la Banque d'alimentation d'Ottawa's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ottawa Food Bank / la Banque d'alimentation d'Ottawa to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.



MITCHELL & HOLMES
Chartered Professional Accountants, Licensed Public Accountants

January 27, 2020
Ottawa, Ontario

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 187,323	\$ 819,017
Investments (Notes 3,8)	4,051,653	2,933,154
Contributions receivable	43,361	46,000
Government receivable	116,039	81,309
Prepaid expenses (Notes 3,6)	<u>226,366</u>	<u>177,548</u>
	4,624,742	4,057,028
RESTRICTED ASSETS (Note 9)	44,727	41,529
PROPERTY AND EQUIPMENT (Notes 3,4)	<u>523,687</u>	<u>456,472</u>
	<u>\$5,193,156</u>	<u>\$4,555,029</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accruals	\$ 537,748	\$ 356,453
Deferred contributions (Note 11)	<u>-</u>	<u>417,529</u>
	537,748	773,982
DEFERRED CAPITAL CONTRIBUTIONS (Note 10)	<u>263,829</u>	<u>115,874</u>
	<u>801,577</u>	<u>889,856</u>
<u>ACCUMULATED NET ASSETS</u>		
Restricted assets (Note 9)	44,727	41,529
Net assets invested in capital assets (Notes 13, 14)	259,858	340,598
Net assets internally restricted for capital fund (Note 14)	709,832	543,000
Net assets internally restricted for innovation fund (Note 14)	215,200	200,000
Net assets internally restricted for operating fund (Note 14)	2,721,212	2,176,838
Unrestricted	<u>440,750</u>	<u>363,208</u>
	<u>4,391,579</u>	<u>3,665,173</u>
	<u>\$5,193,156</u>	<u>\$4,555,029</u>

On behalf of the board:

.....Director

.....Director

(See accompanying notes to the financial statements)

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>
REVENUE		
Food donations in-kind (Note 12)	\$ 9,049,797	\$ 7,945,848
Donations	5,866,487	4,694,621
Community engagement events	1,069,586	1,002,035
Municipal government grants	368,815	362,415
Grants and corporate sponsorship	348,952	335,644
Investment income	96,313	49,131
Amortization of deferred capital contributions (Note 10)	<u>19,423</u>	<u>20,342</u>
	<u>16,819,373</u>	<u>14,410,036</u>
EXPENSES		
Operations and programs		
Food donations in-kind (Note 12)	9,049,797	7,945,848
Food purchases	1,779,872	1,634,598
Operations and programs (Note 15)	2,822,110	1,889,625
Development and fundraising (Note 15)	1,612,165	1,581,647
General and administration (Note 15)	<u>829,023</u>	<u>867,141</u>
	<u>16,092,967</u>	<u>13,918,859</u>
EXCESS REVENUE OVER EXPENSES	<u>\$ 726,406</u>	<u>\$ 491,177</u>

(See accompanying notes to the financial statements)

OTTAWA FOOD BANK

LA BANQUE D'ALIMENTATION D'OTTAWA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Restricted Assets	Invested in Capital Assets	Restricted for Capital Fund	Restricted for Innovation Fund	Restricted for Operating Fund	Unrestricted	2019	2018
Balance, beginning of year	\$ 41,529	\$ 340,598	\$ 543,000	\$ 200,000	\$ 2,176,838	\$ 363,208	\$ 3,665,173	\$ 3,173,996
Net change in restricted assets (Note 9)	3,198	-	-	-	-	(3,198)	-	-
Excess of revenue over expenditures	-	-	-	-	-	726,406	726,406	491,177
Net change in investment in capital (Note 13)	-	(80,740)	-	-	-	80,740	-	-
Internally imposed restrictions (Note 14)	-	-	166,832	15,200	544,374	(726,406)	-	-
Balance, end of year	<u>\$ 44,727</u>	<u>\$ 259,858</u>	<u>\$ 709,832</u>	<u>\$ 215,200</u>	<u>\$ 2,721,212</u>	<u>\$ 440,750</u>	<u>\$ 4,391,579</u>	<u>\$ 3,665,173</u>

(See accompanying notes to the financial statements)

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 726,406	\$ 491,177
Items not affecting cash:		
Gain on disposal of vehicles	-	6,484
Depreciation	<u>110,968</u>	<u>151,449</u>
	837,374	649,110
Change in non-cash operating working capital items		
Prepaid expenses	(48,818)	(93,970)
Accounts payable and accruals	181,295	87,333
Deferred contributions	(417,529)	417,529
Deferred capital contributions	147,955	29,658
Government receivable	(34,730)	3,602
Accounts receivable	<u>2,639</u>	<u>(2,350)</u>
	668,186	1,090,912
INVESTING		
Increase in investments	(1,118,499)	(2,191,520)
Increase in restricted assets	(3,198)	(3,510)
Additions to furniture and equipment	(135,805)	(62,405)
Additions to vehicles	<u>(42,378)</u>	<u>-</u>
NET CASH (OUTFLOW)	(631,694)	(1,166,523)
CASH, BEGINNING OF YEAR	<u>819,017</u>	<u>1,985,540</u>
CASH, END OF YEAR	<u>\$ 187,323</u>	<u>\$ 819,017</u>

(See accompanying notes to the financial statements)

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

The mission of the Ottawa Food Bank/la Banque d'alimentation d'Ottawa is to work in partnership to create a healthier city by empowering people, increasing access to healthy food, and advocating for systemic changes that reduce food insecurity.

2. BASIS OF PRESENTATION

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

b) Investments

Management has elected to record all investments at fair value, and changes in fair value are recognized in the statement of operations.

c) 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.

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) 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.

Contributions for the purchase of property and equipment are deferred and amortized to revenue on the same basis as the related assets are amortized.

Investment income is recognized as revenue when earned and it includes interest and realized gains and losses on the investments.

e) 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. Significant management estimates for this organization include food in-kind donations and allocation of expenses between operations and programs, development and fundraising and general and administration.

f) 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.

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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. In 2019, management estimates that volunteers contributed 16,693 hours to the organization (2018 - 15,744).

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.

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

3. 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.

4. PROPERTY AND EQUIPMENT

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and Equipment	\$ 842,419	\$482,148	\$360,271	\$290,358
Leasehold Improvements	193,920	123,122	70,798	90,190
Vehicles	<u>326,347</u>	<u>233,729</u>	<u>92,618</u>	<u>75,924</u>
	<u>\$1,362,686</u>	<u>\$838,999</u>	<u>\$523,687</u>	<u>\$456,472</u>

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

5. 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:

2020	\$ 218,112
2021	218,112
2022	<u>109,056</u>
	<u>\$ 545,280</u>

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

2020	\$ 86,400
2021	86,400
2022	86,400
2023	86,400
2024	<u>43,200</u>
	<u>\$ 388,800</u>

6. PREPAID EXPENSES

Prepaid expenses consist of the following:

	<u>2019</u>	<u>2018</u>
Insurance	\$ 26,410	\$ 22,824
Deposits - rent and utilities	62,481	62,481
Operating prepaid expenses	<u>137,475</u>	<u>92,243</u>
	<u>\$226,366</u>	<u>\$177,548</u>

OTTAWA FOOD BANK
LA BANQUE D'ALIMENTATION D'OTTAWA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

7. 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, 2019.

Credit risk:

The Ottawa Food Bank/la Banque d'alimentation d'Ottawa is exposed to credit risk in connection with its receivables and its investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. No allowance for doubtful accounts has been recorded.

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.

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8. INVESTMENTS

The bonds earn interest at between 1.45% to 2.70% per annum, with maturities ranging between one and two years. The guaranteed investment certificates earn interest at between 2.00% to 2.93% per annum, with maturities ranging between 4 months and two years. As the bonds and guaranteed investment certificates are available to support the Ottawa Food Bank / la Banque d'alimentation d'Ottawa's operations, they have been classified as short-term.

	<u>2019</u>	<u>2018</u>
Guaranteed investment certificates	\$2,104,954	\$1,190,548
Canadian bonds	1,488,223	1,736,511
Canadian money market	453,080	-
Equities	<u>5,396</u>	<u>6,095</u>
	<u>\$4,051,653</u>	<u>\$2,933,154</u>

Investments are allocated as follows:

	<u>2019</u>	<u>2018</u>
Operating fund	\$2,721,212	\$2,176,838
Capital fund	709,832	543,000
Innovation fund	215,200	200,000
Unrestricted fund	<u>405,409</u>	<u>13,316</u>
	<u>\$4,051,653</u>	<u>\$2,933,154</u>

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SEPTEMBER 30, 2019

9. RESTRICTED ASSETS

The restricted assets fund consists 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 2019 consists of \$3,198 (2018 - \$3,510) of restricted contributions.

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

10. 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>2019</u>	<u>2018</u>
Balance, beginning of year	\$115,874	\$ 86,216
Add contributions received	167,378	50,000
Less amortization of deferred capital contributions	<u>(19,423)</u>	<u>(20,342)</u>
Balance, end of year	<u>\$263,829</u>	<u>\$115,874</u>

11. DEFERRED CONTRIBUTIONS

The prior year deferred contributions balance represented donations received for disaster relief related to a series of tornados and related large scale power outages in the National Capital Region in late September 2018. The donations were recognized in revenue in this year.

OTTAWA FOOD BANK
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NOTES TO THE FINANCIAL STATEMENTS
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12. 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 3.48 million pounds for 2019 (3.12 million pounds for 2018).

According to national standards established by Food Banks Canada, the monetary equivalent of one pound of food donations is \$2.60 (2018 - \$2.60). Management uses 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.

13. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 523,687	\$ 456,472
Less amounts financed by:		
Deferred capital contributions	<u>(263,829)</u>	<u>(115,874)</u>
	<u>\$ 259,858</u>	<u>\$ 340,598</u>

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

	<u>2019</u>	<u>2018</u>
Purchase of capital assets	\$ 178,183	\$ 62,405
Other changes:		
Loss on disposal of capital assets	-	(6,484)
Depreciation of capital assets	(110,968)	(151,449)
Additions to deferred capital contributions	(167,378)	(50,000)
Amortization of deferred capital contributions	<u>19,423</u>	<u>20,342</u>
Net change in investment in capital assets	<u>\$ (80,740)</u>	<u>\$ (125,186)</u>

OTTAWA FOOD BANK
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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

14. INTERNALLY RESTRICTED NET ASSETS

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

The operating reserve fund was established to mitigate the risk of unexpected contingencies. The target balance is equal to six months of operating costs. The Board approved a transfer of \$544,374 (2018 - \$228,838) to the operating reserve fund.

The capital reserve fund was established to fund future replacement of the organization's property and equipment. The Board approved a transfer of \$166,832 (2018 - \$135,700) to the capital reserve fund.

The innovation reserve fund was established to fund strategic initiatives and social innovation projects. The Board approved a transfer of \$15,200 (2018 - \$200,000) to the innovation reserve fund.

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.

15. EXPENSES

	<u>2019</u>	<u>2018</u>
Operations and programs		
Salaries and benefits	\$1,532,461	\$ 951,326
Occupancy costs	324,681	299,392
Innovation and community projects	209,366	237,136
Food delivery costs	214,682	178,803
Other	<u>540,920</u>	<u>222,968</u>
	<u>\$2,822,110</u>	<u>\$1,889,625</u>
Development and fundraising		
Fundraising and promotion	\$1,215,455	\$ 999,685
Salaries and benefits	338,751	505,684
Other	<u>57,959</u>	<u>76,278</u>
	<u>\$1,612,165</u>	<u>\$1,581,647</u>
General and administration		
Salaries and benefits	\$ 444,441	\$ 630,604
Other	<u>384,582</u>	<u>236,537</u>
	<u>\$ 829,023</u>	<u>\$ 867,141</u>