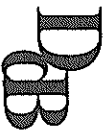


THE ONTARIO ASSOCIATION OF FOOD BANKS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Ontario Association of Food Banks

I have audited the accompanying financial statements of The Ontario Association of Food Banks, which comprise the balance sheet as at March 31, 2011, and the statement of revenues and expenses, statement of changes in fund balances and statement of 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 of these financial statements in accordance with Canadian generally accepted accounting principles 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.

Author's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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 organization's preparation 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 organization'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 presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives some of its revenue from donations and from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to donations, revenues from fundraising activities, excess of revenues over expenses, current assets and fund balances.

The organization has requested changes of \$17,000 to grant reports previously submitted to funding organizations. These requests has not yet been approved. Consequently, I was unable to confirm the outcome of these requested changes and I am unable to determine whether any adjustments might be necessary to deferred revenue and accounts payable.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Ontario Association of Food Banks as at March 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance Canadian generally accepted accounting principles.

Hamilton, Ontario



June 3, 2011

Chartered Accountant, Licensed Public Accountant

THE ONTARIO ASSOCIATION OF FOOD BANKS
BALANCE SHEET
AS AT MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Bank and term deposits	\$ 278,575	\$ 425,514
Accounts receivable	343,803	306,926
Advance to employee	1,996	-
Prepaid expenses	<u>14,191</u>	<u>8,532</u>
	638,565	740,972
Restricted Assets		
Bank and term deposits (note 2(e))	347,971	399,536
Capital Assets (note 3)	<u>23,537</u>	<u>28,405</u>
	<u>\$ 1,010,073</u>	<u>\$ 1,168,913</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 309,359	\$ 218,510
Deferred revenue	<u>209,716</u>	<u>211,122</u>
	519,075	429,632
Long-term Liabilities		
Deferred contributions (note 4)	<u>299</u>	<u>988</u>
	519,374	430,620
FUND BALANCES		
Investment in capital assets	23,238	27,417
Unrestricted (general fund)	119,490	311,340
Capital reserve	(3,227)	(3,227)
General reserve	150,000	150,000
Distribution fund (note 8)	<u>201,198</u>	<u>252,763</u>
	490,699	738,293
	<u>\$ 1,010,073</u>	<u>\$ 1,168,913</u>

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

ONTARIO ASSOCIATION OF FOOD BANKS
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2011

	<i>Capital Invested</i>	<i>Unrestricted</i>	<i>Capital Reserve</i>	<i>General Reserve</i>	<i>Distribution Fund</i>	<i>Total 2011</i>	<i>Total 2010</i>
Balance, <i>beginning of year, as previously reported</i>	\$ 27,417	\$ 376,520	\$ (3,227)	\$ 150,000	\$ 252,763	\$ 803,473	\$ 783,007
Prior period adjustment (note 6)	<u>-</u>	<u>(65,180)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,180)</u>	<u>(14,388)</u>
Balance, <i>beginning of year, restated</i>	27,417	311,340	(3,227)	150,000	252,763	738,293	768,619
Excess of expenses over revenues	-	(247,594)	-	-	-	(247,594)	(30,326)
Capital asset additions	3,000	(3,000)	-	-	-	-	-
Amortization - capital assets	(7,868)	7,868	-	-	-	-	-
Amortization - deferred contributions	689	(689)	-	-	-	-	-
Fund transfers (note 8)	<u>-</u>	<u>51,565</u>	<u>-</u>	<u>-</u>	<u>(51,565)</u>	<u>-</u>	<u>-</u>
Balance, <i>end of year</i>	<u>\$ 23,238</u>	<u>\$ 119,490</u>	<u>\$ (3,227)</u>	<u>\$ 150,000</u>	<u>\$ 201,198</u>	<u>\$ 490,699</u>	<u>\$ 738,293</u>

THE ONTARIO ASSOCIATION OF FOOD BANKS

**STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2011**

With comparative figures for three months ended March 31, 2010

	<u>2011</u>	<u>2010</u>
Revenues		
Gifts in kind	\$ 9,819,278	\$ 3,349,597
Donations	579,291	28,369
Grants from other organizations	256,545	63,865
Amortization of deferred contributions	689	222
Food drives	558,624	161,413
Membership dues	18,535	6,000
Conference fees	14,694	535
Interest and other	<u>12,726</u>	<u>6,861</u>
	11,260,382	3,616,862
Expenses		
Advertising, promotion and fundraising events	169,497	10,381
Amortization	7,868	1,908
Bank charges and interest	10,019	705
Contracted services	10,522	15,631
Dues and fees	23,391	882
Distribution management	51,598	148
Food banks - share of food drives	367,010	125,939
Food purchases	383,044	-
Food - gifts in kind	9,688,483	3,326,010
Food transportation	67,856	14,294
Grants to member food banks	-	19,542
Insurance	2,146	449
Meetings and conferences	52,889	3,239
Office, postage and general	31,719	13,260
Professional fees	17,342	12,930
Program materials	35,529	-
Rent	35,575	5,359
Salaries and benefits	540,362	93,381
Telephone	9,532	1,463
Travel and meals	3,594	1,667
	<u>11,507,976</u>	<u>3,647,188</u>
Excess of expenses over revenues	\$ <u><u>(247,594)</u></u>	\$ <u><u>(30,326)</u></u>

THE ONTARIO ASSOCIATION OF FOOD BANKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011
With comparative figures for three months ended March 31, 2010

	<u>2011</u>	<u>2010</u>
Cash from operating activities		
Excess of expenses over revenues	\$ (247,594)	\$ (30,326)
Adjustments for items not affecting cash		
Amortization of capital assets	7,868	1,908
Amortization of deferred contributions	<u>(689)</u>	<u>(222)</u>
	(240,415)	(28,640)
Changes in non-cash working capital balances		
Accounts receivable	(36,877)	(35,429)
Employee advance	(1,996)	-
Prepaid expenses	(5,659)	1,614
Accounts payable and accrued liabilities	90,849	(61,945)
Deferred revenue	<u>(1,406)</u>	<u>40,658</u>
	44,911	(55,102)
	<u>(195,504)</u>	<u>(83,742)</u>
Cash from financing and investing activities		
Additions to capital assets	<u>(3,000)</u>	-
Increase (decrease) in cash	(198,504)	(83,742)
Cash, beginning of year	<u>825,050</u>	<u>908,792</u>
Cash, end of year	<u>\$ 626,546</u>	<u>\$ 825,050</u>

Cash is comprised of bank and term deposits and includes restricted assets

THE ONTARIO ASSOCIATION OF FOOD BANKS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

With comparative figures for three months ended March 31, 2010

1. Purpose of the Organization

The Association was incorporated as a corporation without share capital by letters patent under the Ontario Corporations Act on March 19, 1992. As a not-for-profit organization, the Association is exempt from the payment of income taxes as provided under the Income Tax Act and is a registered charity.

The Association is a membership organization of food banks throughout Ontario with a mandate to assist in meeting the immediate food needs of food bank recipients and to work towards long-term solutions to hunger and poverty.

2. Summary of Significant Accounting Policies

(a) Capital Assets

Capital assets are recorded at cost. Contributed capital assets, which are recorded at fair value at the date of the contribution, are recognized as revenue in the capital asset fund. Amortization is provided on capital assets using following annual rates and methods:

Office furniture and equipment	20%	declining balance
Computer equipment	30%	declining balance
Computer software	25%	straight line
Leasehold improvements	15%	straight line

(b) Revenue Recognition

The Association follows the deferral method of accounting for donations and grants.

Restricted donations and grants are recognized as revenue in the year in which the related expenses are incurred.

Fundraising income, unrestricted donations and grants are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Donated Materials and Services

Donated materials and services are recorded in the financial statements at fair market value when fair market value can be reasonably estimated and when the Association would otherwise have required these items.

Because the hours of service by volunteers are not normally purchased and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

Food, milk, and other supplies and other services of \$9,819,278 were donated during the year and are included in the statement of revenues and expenses (2010 - \$3,349,597).

(d) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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 amounts of revenues and expenses during the reporting year. Actual results could differ from management's best estimates, as additional information becomes available in the future.

(e) Restricted assets

The Association has established reserve funds for financing future capital purchases, possible operating deficits and the development of food distribution systems.

3. Capital Assets

	Cost	Accumulated Amortization	Net <u>2011</u>	Net <u>2010</u>
Office furniture and equipment	\$ 25,802	\$ 14,996	\$ 10,806	\$ 13,507
Computer equipment	20,308	15,962	4,346	3,209
Computer software	2,993	2,993	-	509
Leasehold improvements	<u>13,975</u>	<u>5,590</u>	<u>8,385</u>	<u>11,180</u>
	<u>\$ 63,078</u>	<u>\$ 39,541</u>	<u>\$ 23,537</u>	<u>\$ 28,405</u>

**THE ONTARIO ASSOCIATION OF FOOD BANKS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011**

With comparative figures for three months ended March 31, 2010

4. Deferred Contributions

Deferred contributions include the unamortized portions of contributed capital assets and restricted contributions for capital assets. The changes in the deferred contributions balances are as follows:

	<u>2011</u>	<u>2010</u>
Balance, <i>beginning of year</i>	\$ 988	\$ 1,210
Amounts amortized to revenue	(689)	(222)
Balance, <i>end of year</i>	<u>\$ 299</u>	<u>\$ 988</u>

5. Comparative Figures

Certain comparative figures on the statement of revenues and expenses have been reclassified to conform to the presentation adopted for 2011.

In 2010 the Association changed its year end from December 31 to March 31. As a result, the prior year reflects the activities for the three months ended March 31, 2010 while the current figures cover the year ended March 31, 2011.

6. Prior Period Adjustment

In 2011, the Association determined that the grant revenue reported for the year ending March 31, 2010 was overstated by \$50,000. As a result, the opening unrestricted fund balance for March 31, 2011 was decreased by \$50,000.

In August 2010, vacation pay was paid for vacation that had been earned over the past five years but not recorded. This resulted in the opening vacation accrual being understated by \$15,180 at March 31, 2011 and by \$14,388 at March 31, 2010.

The financial statements have been restated and a summary of the prior period adjustments are as follows:

	<u>2011</u>	<u>2010</u>
Grant income recorded in incorrect year	\$ (50,000)	\$ -
Vacation pay accrual not set up	(15,180)	(14,388)
	<u>\$ (65,180)</u>	<u>\$ (14,388)</u>

7. Commitments

Under the terms of the office lease agreement which expires on May 31, 2012, the Association will be required to make future annual minimum rental payments of at least \$36,026 in 2011/2012, and \$6,052 in 2012/2013.

8. Distribution Fund

In 2006, the Association received funds of \$340,623 from a lawsuit settlement. This income was reported in the statement of revenues and expenses for the year ending December 31, 2006 and transferred into the Distribution Fund. In subsequent years, some of these funds were granted to member food banks. In 2011, \$51,565 was transferred from the distribution fund to the unrestricted (general) fund balance.

9. Contingencies

In 2007, as the result of a court order, a former employee was required to repay \$25,000 to the organization. Since very few payments have been received by the organization, the outstanding loan balance of \$24,350 is considered doubtful. No provision has been made on the financial statements for the collection of this amount.

Amendments were made to the Trillium Foundation grant report to defer revenue of \$5,942 to another reporting period. The outcome of this amendment can not be determined. Therefore no provision has been made on the financial statements.