

Financial statements

Calgary Inter-Faith Food Bank Society

August 31, 2017



Building a better
working world

Independent auditors' report

To the Members of
Calgary Inter-Faith Food Bank Society

We have audited the accompanying financial statements of **Calgary Inter-Faith Food Bank Society** [the "Society"], which comprise the statement of financial position as at August 31, 2017, and the statements of operations, changes in net assets 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The Society derives revenue and incurs expenses related to food donations in-kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues and expenses were limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments for unrecorded revenue or expense related to food donations in-kind might be necessary.

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 Society as at August 31, 2017 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.

Calgary, Canada
October 26, 2017

Ernst + Young LLP

Chartered Professional Accountants



Calgary Inter-Faith Food Bank Society

Statement of financial position

As at August 31

	2017	2016
	\$	\$
Assets		
Current		
Cash and cash equivalents	5,636,777	3,078,294
Short-term investments <i>[note 3]</i>	2,783,295	1,990,129
Accounts receivable <i>[note 11]</i>	63,229	59,052
Prepaid expenses and other assets	103,036	338,028
Total current assets	8,586,337	5,465,503
Long-term investments <i>[note 3]</i>	608,770	884,069
Property, plant and equipment, net <i>[note 4]</i>	5,784,540	5,507,126
	14,979,647	11,856,698
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	416,226	250,564
Deferred operating contributions <i>[note 5]</i>	93,106	168,308
Total current liabilities	509,332	418,872
Deferred capital contributions <i>[note 6]</i>	773,099	584,432
Total liabilities	1,282,431	1,003,304
Net assets		
Unrestricted	6,723,962	3,907,889
Internally restricted <i>[note 7]</i>	6,973,254	6,945,505
Total net assets	13,697,216	10,853,394
	14,979,647	11,856,698

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of operations

Year ended August 31

	2017	2016
	\$	\$
Revenues		
Contributions <i>[note 5]</i>	9,776,502	9,423,448
Food donations-in-kind <i>[note 9]</i>	26,620,323	27,065,085
Non-food donations-in-kind	38,521	84,071
Casino funds received	34,165	67,613
Investment income <i>[note 7]</i>	180,974	111,152
Other <i>[note 7]</i>	551,422	101,135
	<u>37,201,907</u>	<u>36,852,504</u>
Expenses		
Food donations-in-kind <i>[note 9]</i>	26,620,323	27,065,085
Non-food donations-in-kind	38,521	84,071
Food purchases	1,515,658	1,284,666
Administration and finance	1,272,346	1,300,038
Operating costs <i>[note 8]</i>	3,781,016	3,785,337
Client services	626,118	596,775
Development and fundraising	49,259	64,723
Communications and resource development	92,368	90,372
	<u>33,995,609</u>	<u>34,271,067</u>
Excess of revenue over expenses before the following	<u>3,206,298</u>	<u>2,581,437</u>
Amortization of deferred capital contributions <i>[note 6]</i>	76,323	29,635
Amortization of property, plant and equipment	(438,799)	(391,362)
	<u>(362,476)</u>	<u>(361,727)</u>
Excess of revenues over expenses for the year	<u>2,843,822</u>	<u>2,219,710</u>

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of changes in net assets

Year ended August 31

	Unrestricted	Internally restricted	2017
	\$	\$	\$
Net assets, beginning of year	3,907,889	6,945,505	10,853,394
Excess of revenues over expenses for the year	2,843,822	—	2,843,822
Transfers to Legacy Fund <i>[note 7]</i>	(314,038)	314,038	—
Transfers to investment in property, plant and equipment <i>[note 7]</i>	286,289	(286,289)	—
Net assets, end of year	6,723,962	6,973,254	13,697,216

	Unrestricted	Internally restricted	2016
	\$	\$	\$
Net assets, beginning of year	1,548,766	7,084,918	8,633,684
Excess of revenues over expenses for the year	2,219,710	—	2,219,710
Transfers to Legacy Fund <i>[note 7]</i>	(73,537)	73,537	—
Transfers to investment in property, plant and equipment <i>[note 7]</i>	212,950	(212,950)	—
Net assets, end of year	3,907,889	6,945,505	10,853,394

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of cash flows

Year ended August 31

	2017	2016
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	2,843,822	2,219,710
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(76,323)	(29,635)
Amortization of property, plant and equipment	438,799	391,362
Loss on disposal	—	3,746
	<u>3,206,298</u>	<u>2,585,183</u>
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	<u>321,275</u>	<u>(293,987)</u>
Cash provided by operating activities	<u>3,527,573</u>	<u>2,291,196</u>
Investing activities		
Net purchase of investments	(517,867)	(339,535)
Property, plant and equipment acquired	(716,213)	(170,022)
Cash used in investing activities	<u>(1,234,080)</u>	<u>(509,557)</u>
Financing activities		
Contributions restricted for purchase of property, plant and equipment	264,990	498,966
Cash provided by financing activities	<u>264,990</u>	<u>498,966</u>
Net increase in cash during the year	2,558,483	2,280,605
Cash and cash equivalents, beginning of year	<u>3,078,294</u>	<u>797,689</u>
Cash and cash equivalents, end of year	<u>5,636,777</u>	<u>3,078,294</u>

See accompanying notes

Calgary Inter-Faith Food Bank Society

Notes to financial statements

August 31, 2017

1. Operations

The Calgary Inter-Faith Food Bank Society [the "Society"] is registered under the Societies Act of the Province of Alberta and is a registered charity under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and may issue tax deductible receipts to donors. The Society's function is the gathering and distribution of quality emergency food to those in need.

2. Summary of significant accounting policies

[a] Basis of presentation

The financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada ["CPA Canada"] Handbook – Accounting, which sets out generally accepted accounting principles ["GAAP"] for not-for-profit organizations in Canada. These financial statements have been prepared in accordance with GAAP and reflect the following significant accounting policies.

[b] Revenue recognition

The Society follows the deferral method of accounting for contributions, which includes grants and donations. Unrestricted contributions are recorded as revenue when they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are initially deferred and then recognized as revenue in the year the related expenses are incurred. Donated property, plant and equipment and contributions received for the purchase of property, plant and equipment are initially deferred and recognized as revenue on the same basis as the related amortization expense.

Food donations received in kind are not recorded as revenue until they are distributed as there is no ability to estimate the value of perishable products until the date of distribution. Revenue measurement is at estimated fair value at the date the donation is made. Food donations in-kind without a fair value assigned by the donor are recorded at a cost per pound for common classes of donated food. Miscellaneous food donations in-kind are assigned a fair value of \$2.00 per pound. Costs per pound are based on average historical costs for purchasing similar items.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, are recognized in the statement of operations.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a maturity of approximately three months or less from the date of purchase.

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[d] Property, plant and equipment

Purchased property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of the contribution. Amortization is calculated using the straight-line method over the assets' estimated useful lives, as follows:

Tangible

Building	5 – 25 years
Automotive	6 years
Computer equipment	3 years
Equipment	5 – 10 years
Furniture and fixtures	10 years

Intangible

Computer software	3 years
Network upgrade	5 years
Communication portal	3 years
Network security	5 years

[e] Financial instruments

Investments in pooled funds, equities and fixed income securities traded in an active market are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

[f] Contributed services

The work of the Society is dependent on the voluntary services of many members and others. Since these services are not normally purchased by the Society and because of the difficulty of determining their fair value, these voluntary services are not recognized in these financial statements.

[g] Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Calgary Inter-Faith Food Bank Society

Notes to financial statements

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3. Investments

Investments, all of which are recorded at fair value, have an asset mix as follows:

	2017 \$	2016 \$
Cash and short-term investments	1,969,172	1,080,651
Fixed income securities	884,017	1,360,549
Canadian equities	532,622	361,081
Foreign equities	—	62,780
US equities	6,254	9,137
Total investments	3,392,065	2,874,198
Less: Short-term investments	(2,783,295)	(1,990,129)
Total Long-term investments	608,770	884,069

Investments in pooled funds are classified based on the underlying investments held in the pooled funds. The fixed income investments had effective interest rates ranging from 1.76% to 2.65% with maturity dates ranging from 1 month to 41 months [2016 – 1.46% to 2.95%].

4. Property, plant and equipment

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Tangible				
Land	1,974,000	—	1,974,000	1,974,000
Building	3,301,400	(785,137)	2,516,263	2,645,194
Building improvements	954,806	(954,806)	—	—
Automotive	1,001,807	(642,915)	358,892	128,554
Computer equipment	367,403	(328,007)	39,396	427
Equipment	986,405	(765,166)	221,239	125,949
Furniture and fixtures	956,961	(529,095)	427,866	445,061
	9,542,782	(4,005,125)	5,537,656	5,319,185
Intangible				
Computer software	485,154	(323,750)	161,404	3,567
Network upgrade	289,443	(230,630)	58,813	116,701
Communication portal	113,096	(93,177)	19,919	56,427
Network security	22,493	(15,745)	6,748	11,246
	910,186	(663,302)	246,884	187,941
	10,452,968	(4,668,427)	5,784,540	5,507,126

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5. Deferred operating contributions

Deferred operating contributions represent unspent externally restricted donations and grants. Changes in the deferred operating contributions balance are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	168,308	351,423
Donations received for food purchases	627	71,097
Other externally restricted donations received	109,447	67,721
Amount recognized as revenue during the year	(185,276)	(321,933)
Balance, end of year	93,106	168,308

6. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of property, plant and equipment. The amortization of deferred capital contributions begins when the associated property, plant and equipment are put into use, and amortization is recorded in the statement of operations. Changes in the deferred capital contributions balance are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	584,432	115,101
Contributions externally restricted for purchase of property, plant and equipment	264,990	498,966
Amortization of deferred capital contributions	(76,323)	(29,635)
Balance, end of year	773,099	584,432

The total unspent externally restricted capital contributions is \$122,928 as at August 31, 2017 [2016 – \$497,964].

7. Internally restricted net assets

Internally restricted net assets consist of the following:

	2017	2016
	\$	\$
Legacy Fund	1,338,885	1,024,847
Capital replacement reserve	500,000	500,000
Investment in property, plant and equipment	5,134,369	5,420,658
Total internally restricted	6,973,254	6,945,505

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[a] Legacy Fund

The Board of Directors [the "Board"] has established a Legacy Fund, the principal amount of which is reserved for the future benefit of the Society and may be drawn down only with the approval of the Board. Contributions received, amounting to \$300,611 [2016 – \$59,560], has been included in other income in the statement of operations and is subsequently transferred into the Legacy Fund.

Investment income earned on this fund, amounting to \$13,427 [2016 – \$13,977], has been included in investment income in the statement of operations and is subsequently transferred into the Legacy Fund.

[b] Capital Replacement Reserve

The Capital Replacement Reserve represents management's recognition that the future capital replacement cost of the Society's property, plant and equipment, will exceed their historic cost recorded and amortized in these financial statements. An amount of \$500,000 has been approved to be reserved.

[c] Investment in Property, Plant and Equipment

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

8. Operating costs

	2017	2016
	\$	\$
Salaries and benefits	2,904,050	2,898,368
Occupancy	266,732	229,374
Vehicle and transportation	162,464	214,321
Other	447,770	443,274
	<u>3,781,016</u>	<u>3,785,337</u>

9. Food donations-in-kind

The food donations are valued at an average price per pound of \$1.81. In 2017, management estimates that approximately 14.7 million pounds of food were received and distributed [2016 – 13.5 million pounds at \$2.00 per pound].

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Notes to financial statements

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10. Net change in non-cash working capital balances

	2017	2016
	\$	\$
Increase in accounts receivable	(4,177)	(10,923)
Decrease (increase) in prepaid expenses and other assets	234,992	(43,060)
Increase (decrease) in accounts payable and accrued liabilities	165,662	(56,889)
Decrease in deferred operating contributions	(75,202)	(183,115)
	<u>321,275</u>	<u>(293,987)</u>

11. Financial instruments

The Society is exposed to various financial risks through transactions in financial instruments.

Credit risk

The organization is exposed to credit risk in connection with its accounts receivable 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its investments in fixed income securities.

Other price risk

The Society is exposed to other price risk through changes in market prices, other than changes arising from interest rate or currency risk in connection with investments in equity securities and pooled funds.

