

# Calgary Inter-Faith Food Bank Society

Financial statements  
August 31, 2020



# Independent auditor's report

To the Members of  
**Calgary Inter-Faith Food Bank Society**

We have audited the financial statements of **Calgary Inter-Faith Food Bank Society** [the "Society"] which comprise the statement of financial position as at August 31, 2020, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

## **Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2020, and its results of 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**

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.

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 our report. We are independent of the Society 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.

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the 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 the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 judgment 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 Society's internal control.
- 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 obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society'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 Society' 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 our audit.

Calgary, Canada  
October 22, 2020

*Ernst + Young LLP*

Chartered Professional Accountants



## Calgary Inter-Faith Food Bank Society

### Statement of financial position

As at August 31

	2020	2019
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	17,120,489	5,414,119
Accounts receivable <i>[note 12]</i>	28,885	144,899
Prepaid expenses and other assets	110,012	111,676
<b>Total current assets</b>	<b>17,259,386</b>	<b>5,670,694</b>
Investments <i>[note 3]</i>	5,497,074	4,416,981
Property, plant and equipment, net <i>[notes 4, 8]</i>	6,197,245	6,417,677
	<b>28,953,705</b>	<b>16,505,352</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	302,598	502,944
Deferred operating contributions <i>[note 5]</i>	19,184	40,221
<b>Total current liabilities</b>	<b>321,782</b>	<b>543,165</b>
Deferred capital contributions <i>[note 6]</i>	886,059	901,705
<b>Total liabilities</b>	<b>1,207,841</b>	<b>1,444,870</b>
Commitments <i>[note 7]</i>		
<b>Net assets</b>		
Unrestricted	16,781,164	4,861,832
Internally restricted <i>[note 8]</i>	10,964,700	10,198,650
<b>Total net assets</b>	<b>27,745,864</b>	<b>15,060,482</b>
	<b>28,953,705</b>	<b>16,505,352</b>

See accompanying notes

## Calgary Inter-Faith Food Bank Society

### Statement of operations

Year ended August 31

	2020	2019
	\$	\$
<b>Revenues</b>		
Contributions <i>[note 5]</i>	20,351,080	8,592,898
Food donations-in-kind <i>[note 10]</i>	33,754,573	32,429,246
Government grants	1,464,668	—
Non-food donations-in-kind	93,688	130,610
Casino funds received	108,560	31,348
Interest and investment income <i>[note 8]</i>	270,758	274,336
Other	840,989	525,372
	<b>56,884,316</b>	<b>41,983,810</b>
<b>Expenses</b>		
Food donations-in-kind <i>[note 10]</i>	33,754,573	32,429,246
Non-food donations-in-kind	93,688	130,610
Food purchases	2,316,529	1,768,956
Administration and finance	1,598,943	1,654,754
Operating costs <i>[note 9]</i>	4,912,673	4,185,657
Client services	812,020	785,248
Development and fundraising	105,465	107,367
Communications and resource development	106,891	50,573
	<b>43,700,782</b>	<b>41,112,411</b>
Excess of revenue over expenses before the following	13,183,534	871,399
Amortization of deferred capital contributions <i>[note 6]</i>	225,169	232,842
Amortization of property, plant and equipment	(723,319)	(644,387)
	<b>(498,150)</b>	<b>(411,545)</b>
<b>Excess of revenues over expenses for the year</b>	<b>12,685,384</b>	<b>459,854</b>

See accompanying notes

## Calgary Inter-Faith Food Bank Society

### Statement of changes in net assets

Year ended August 31

	Unrestricted	Internally restricted	2020
	\$	\$	\$
<b>Net assets, beginning of year</b>	4,861,832	10,198,648	15,060,480
Excess of revenues over expenses for the year	12,685,384	—	12,685,384
Transfers to Strategy Fund <i>[note 8]</i>	(377,668)	377,668	—
Transfer to Capital Replacement Reserve <i>[note 8]</i>	(702,425)	702,425	—
Transfers to investment in property, plant and equipment <i>[note 8]</i>	314,041	(314,041)	—
<b>Net assets, end of year</b>	<b>16,781,164</b>	<b>10,964,700</b>	<b>27,745,864</b>

	Unrestricted	Internally restricted	2019
	\$	\$	\$
<b>Net assets, beginning of year</b>	7,230,949	7,369,680	14,600,629
Excess of revenues over expenses for the year	459,853	—	459,853
Transfers to Strategy Fund <i>[note 8]</i>	(70,378)	70,378	—
Transfer to Capital Replacement Reserve <i>[note 8]</i>	(2,395,092)	2,395,092	—
Transfers to investment in property, plant and equipment <i>[note 8]</i>	(363,500)	363,500	—
<b>Net assets, end of year</b>	<b>4,861,832</b>	<b>10,198,650</b>	<b>15,060,482</b>

See accompanying notes

## Calgary Inter-Faith Food Bank Society

### Statement of cash flows

Year ended August 31

	2020	2019
	\$	\$
<b>Operating activities</b>		
Excess of revenues over expenses for the year	12,685,384	459,854
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(225,169)	(232,842)
Amortization of property, plant and equipment	723,319	644,387
Changes in fair value of investments	8,834	11,562
Reinvested realized investment income	(85,422)	(149,145)
	<u>13,106,946</u>	<u>733,816</u>
Net change in non-cash working capital balances related to operations <i>[note 11]</i>	(103,707)	47,103
<b>Cash provided by operating activities</b>	<u>13,003,239</u>	<u>780,919</u>
<b>Investing activities</b>		
Purchase of investments	(1,003,505)	(452,776)
Property, plant and equipment purchased	(502,887)	(1,057,033)
<b>Cash used in investing activities</b>	<u>(1,506,392)</u>	<u>(1,509,809)</u>
<b>Financing activities</b>		
Contributions restricted for purchase of property, plant and equipment	209,523	372,166
<b>Cash provided by financing activities</b>	<u>209,523</u>	<u>372,166</u>
<b>Net increase in cash during the year</b>	<b>11,706,370</b>	<b>(356,724)</b>
Cash and cash equivalents, beginning of year	5,414,119	5,770,842
<b>Cash and cash equivalents, end of year</b>	<u><b>17,120,489</b></u>	<u><b>5,414,119</b></u>

See accompanying notes

# Calgary Inter-Faith Food Bank Society

## Notes to financial statements

August 31, 2020

### 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 *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 revenue recognition. Unrestricted contributions and government grants 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 and government grants 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 is measured 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 \$2.60 per pound [2019 - \$2.60 per pound]. Costs per pound are based on average historical costs for purchasing similar items.

Interest and 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 when receivable.

#### [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.



## Calgary Inter-Faith Food Bank Society

### Notes to financial statements

August 31, 2020

#### **[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

August 31, 2020

#### 3. Investments

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

	2020 \$	2019 \$
Cash and cash equivalents	469,477	310,358
Fixed income	3,033,986	2,547,431
Canadian equity	1,140,991	885,987
Foreign equity	852,620	673,205
<b>Total investments</b>	<b>5,497,074</b>	<b>4,416,981</b>

Investments are internally restricted assets of the Strategy Fund and Capital Replacement Reserve. 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 1.25% to 3.64% [2019 – 1.48% to 3.64%] with maturity dates ranging from 3 months to 52 months [2019 – 3 months to 65 months].

#### 4. Property, plant and equipment

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
<b>Tangible</b>				
Land	1,974,000	–	1,974,000	1,974,000
Building	3,620,576	1,199,950	2,420,626	2,453,392
Automotive	1,799,208	834,708	964,500	898,007
Computer equipment	449,139	406,972	42,167	66,781
Equipment	1,297,092	963,282	333,810	345,588
Furniture and fixtures	1,184,995	838,912	346,083	441,267
	<b>10,325,010</b>	<b>4,243,824</b>	<b>6,081,186</b>	<b>6,179,035</b>
<b>Intangible</b>				
Computer software	667,059	593,300	73,759	172,532
Network upgrade	364,489	322,188	42,300	66,110
Communication portal	113,096	113,096	–	–
Network security	22,493	22,493	–	–
	<b>1,167,137</b>	<b>1,051,078</b>	<b>116,059</b>	<b>238,642</b>
	<b>11,492,147</b>	<b>5,294,902</b>	<b>6,197,245</b>	<b>6,417,677</b>

## Calgary Inter-Faith Food Bank Society

### Notes to financial statements

August 31, 2020

#### 5. Deferred operating contributions

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

	2020 \$	2019 \$
<b>Balance, beginning of year</b>	<b>40,221</b>	117,510
Donations received for food purchases	–	26,809
Other externally restricted donations received	<b>8,177</b>	12,936
Amount recognized as revenue during the year	<b>(29,214)</b>	(117,034)
<b>Balance, end of year</b>	<b>19,184</b>	40,221

#### 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:

	2020 \$	2019 \$
<b>Balance, beginning of year</b>	<b>901,705</b>	762,381
Contributions externally restricted for purchase of property, plant and equipment	<b>209,523</b>	372,166
Amortization of deferred capital contributions	<b>(225,169)</b>	(232,842)
<b>Balance, end of year</b>	<b>886,059</b>	901,705

The total unspent externally restricted capital contributions is \$156,440 as at August 31, 2020 [2019 – \$265,695].

#### 7. Commitments

The Society has an operating lease for a warehouse which expires January 31, 2022. The annual minimum payments under the lease are as follows:

	\$
2021	<b>237,725</b>
2022	<b>99,052</b>
	<b>336,777</b>

## Calgary Inter-Faith Food Bank Society

### Notes to financial statements

August 31, 2020

#### 8. Internally restricted net assets

Internally restricted net assets consist of the following:

	2020	2019
	\$	\$
Strategy fund	1,899,557	1,521,889
Capital replacement reserve	3,597,517	2,895,092
Investment in property, plant and equipment	5,467,626	5,781,669
Total internally restricted	<u>10,964,700</u>	<u>10,198,650</u>

##### [a] Strategy Fund

The Board of Directors [the "Board"] has established a Strategy 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. An amount of \$377,668 has been approved to be transferred during the year [2019 - \$70,378].

##### [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 \$702,425 has been approved to be transferred during the year [2019 - \$2,395,092].

##### [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.

#### 9. Operating costs

	2020	2019
	\$	\$
Salaries and benefits	3,651,865	3,203,876
Occupancy	518,240	458,829
Vehicle and transportation	173,023	190,769
Other	569,545	332,183
	<u>4,912,673</u>	<u>4,185,657</u>

During the year ended August 31, 2020, the Society qualified for and received government assistance in the amount of \$25,000 as part of the federal 10% Temporary Wage Subsidy for Employers ("TWS"). The amount has been recorded as a reduction of the cost of Salaries and benefits.

## Calgary Inter-Faith Food Bank Society

### Notes to financial statements

August 31, 2020

#### 10. Food donations-in-kind

In 2020, management estimates that approximately 13 million pounds of food were received and distributed [2019 – 13.5 million pounds].

#### 11. Net change in non-cash working capital balances

	2020	2019
	\$	\$
Decrease (increase) in accounts receivable	116,014	(103,847)
Decrease (increase) in prepaid expenses and other assets	1,664	57,955
Increase (decrease) in accounts payable and accrued liabilities	(200,348)	170,284
Increase (decrease) in deferred operating contributions	(21,037)	(77,289)
	<u>(103,707)</u>	<u>47,103</u>

#### 12. Financial instruments

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

##### Credit risk

The Society evaluates the credit risk with respect to receivables as low as \$26,574 [2019 - \$88,127] is owing from the federal or provincial government. 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.

#### 13. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.