

Calgary Inter-Faith Food Bank Society

Financial statements
August 31, 2021



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, 2021, 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, 2021, 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 21, 2021

Ernst & Young LLP

Chartered Professional Accountants



Calgary Inter-Faith Food Bank Society

Statement of financial position

As at August 31

	2021	2020
	\$	\$
Assets		
Current		
Cash and cash equivalents	20,369,695	17,120,489
Accounts receivable <i>[note 12]</i>	176,467	28,885
Prepaid expenses and other assets	166,158	110,012
Total current assets	20,712,320	17,259,386
Investments <i>[note 3]</i>	6,826,527	5,497,074
Property, plant and equipment, net <i>[notes 4 and 8]</i>	10,675,799	6,197,245
	38,214,646	28,953,705
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	1,330,889	302,598
Deferred operating contributions <i>[note 5]</i>	151,608	19,184
Total current liabilities	1,482,497	321,782
Deferred capital contributions <i>[note 6]</i>	707,568	886,059
Total liabilities	2,190,065	1,207,841
Commitments <i>[note 7]</i>		
Net assets		
Unrestricted	19,115,040	16,781,164
Internally restricted <i>[note 8]</i>	16,909,541	10,964,700
Total net assets	36,024,581	27,745,864
	38,214,646	28,953,705

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of operations

Year ended August 31

	2021	2020
	\$	\$
Revenues		
Contributions <i>[note 5]</i>	19,000,479	20,351,080
Food donations-in-kind <i>[note 10]</i>	34,669,833	33,754,573
Government grants	—	1,464,668
Non-food donations-in-kind	578,137	93,688
Casino funds received	554,945	108,560
Interest and investment income <i>[note 8]</i>	809,689	270,758
Other	622,657	840,989
	56,235,740	56,884,316
Expenses		
Food donations-in-kind <i>[note 10]</i>	34,669,833	33,754,573
Non-food donations-in-kind	578,137	93,688
Food purchases	2,978,697	2,316,529
Administration and finance	1,978,679	1,598,943
Operating costs <i>[note 9]</i>	5,968,699	4,912,673
Client services	1,031,379	812,020
Development and fundraising	86,554	105,465
Communications and resource development	87,995	106,891
	47,379,973	43,700,782
Excess of revenue over expenses before the following	8,855,767	13,183,534
Amortization of deferred capital contributions <i>[note 6]</i>	208,491	225,169
Amortization of property, plant and equipment	(785,541)	(723,319)
	(577,050)	(498,150)
Excess of revenues over expenses for the year	8,278,717	12,685,384

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of changes in net assets

Year ended August 31

	Unrestricted	Internally restricted	2021
	\$	\$	\$
Net assets, beginning of year	16,781,164	10,964,700	27,745,864
Excess of revenues over expenses for the year	8,278,717	—	8,278,717
Transfers to Strategy Fund <i>[note 8]</i>	(384,185)	384,185	—
Transfer to Capital Replacement Reserve <i>[note 8]</i>	(945,268)	945,268	—
Transfers to investment in property, plant and equipment <i>[note 8]</i>	(4,615,388)	4,615,388	—
Net assets, end of year	19,115,040	16,909,541	36,024,581

	Unrestricted	Internally restricted	2020
	\$	\$	\$
Net assets, beginning of year	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)	—
Net assets, end of year	16,781,164	10,964,700	27,745,864

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of cash flows

Year ended August 31

	2021	2020
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	8,278,717	12,685,384
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(208,491)	(225,169)
Amortization of property, plant and equipment	785,541	723,319
Changes in fair value of investments	(486,718)	8,834
Reinvested realized investment income	(205,351)	(85,422)
	<u>8,163,698</u>	<u>13,106,946</u>
Net change in non-cash working capital balances related to operations <i>[note 11]</i>	<u>281,329</u>	<u>(103,707)</u>
Cash provided by operating activities	<u>8,445,027</u>	<u>13,003,239</u>
Investing activities		
Purchase of investments	(637,384)	(1,003,505)
Property, plant and equipment purchased	(5,264,096)	(502,887)
Net change in non-cash working capital balances related to investing	675,659	—
Cash used in investing activities	<u>(5,225,821)</u>	<u>(1,506,392)</u>
Financing activities		
Contributions restricted for purchase of property, plant and equipment	30,000	209,523
Cash provided by financing activities	<u>30,000</u>	<u>209,523</u>
Net increase in cash during the year	3,249,206	11,706,370
Cash and cash equivalents, beginning of year	<u>17,120,489</u>	<u>5,414,119</u>
Cash and cash equivalents, end of year	<u>20,369,695</u>	<u>17,120,489</u>

See accompanying notes

Calgary Inter-Faith Food Bank Society

Notes to financial statements

August 31, 2021

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 [2020 – \$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.

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[d] Property, plant and equipment

Purchased property, plant and equipment are recorded at cost less accumulated amortization. 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 cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost.

[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.

[h] Impairment – long lived assets subject to amortization

Property, plant and equipment subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with the total of the undiscounted cash flows expected from its use and disposition. If the asset is impaired, the impairment loss to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair value, generally determined on a discounted cash flow basis. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

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[i] Government assistance

Amounts received or receivable resulting from government assistance programs are reflected as reductions of the cost of the assets or expenses to which they relate when the Society becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

3. Investments

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

	2021 \$	2020 \$
Cash and cash equivalents	338,975	469,477
Fixed income	3,740,175	3,033,986
Canadian equity	2,306,079	1,140,991
Foreign equity	441,298	852,620
Total investments	6,826,527	5,497,074

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 1.13% to 3.64% [2020 – 1.25% to 3.64%] with maturity dates ranging from 3 months to 72 months [2020 – 3 months to 52 months].

4. Property, plant and equipment

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Tangible				
Land	3,414,000	—	3,414,000	1,974,000
Building	6,977,873	1,420,199	5,557,674	2,420,626
Automotive	1,799,208	1,092,354	706,854	964,500
Computer equipment	188,078	116,271	71,807	42,167
Equipment	1,219,096	657,245	561,851	333,810
Furniture and fixtures	1,161,924	862,277	299,647	346,083
	14,760,179	4,148,346	10,611,833	6,081,186
Intangible				
Computer software	357,563	319,154	38,409	73,759
Network upgrade	374,416	348,859	25,557	42,300
Communication portal	113,096	113,096	—	—
Network security	22,493	22,493	—	—
	867,568	803,602	63,966	116,059
	15,627,747	4,951,948	10,675,799	6,197,245

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During the year ended August 31, 2021, the Society purchased land for \$1.44 million and a building for \$2.56 million.

5. Deferred operating contributions

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

	2021 \$	2020 \$
Balance, beginning of year	19,184	40,221
Other externally restricted donations received	200,668	8,177
Amount recognized as revenue during the year	(68,244)	(29,214)
Balance, end of year	151,608	19,184

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:

	2021 \$	2020 \$
Balance, beginning of year	886,059	901,705
Contributions externally restricted for purchase of property, plant and equipment	30,000	209,523
Amortization of deferred capital contributions	(208,491)	(225,169)
Balance, end of year	707,568	886,059

The total unspent externally restricted capital contributions is \$114,783 as at August 31, 2021 [2020 – \$156,440].

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:

2022	\$
	99,052
	99,052

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8. Internally restricted net assets

Internally restricted net assets consist of the following:

	2021 \$	2020 \$
Strategy fund	2,283,742	1,899,557
Capital replacement reserve	4,542,785	3,597,517
Investment in property, plant and equipment	10,083,014	5,467,626
Total internally restricted	<u>16,909,541</u>	<u>10,964,700</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 \$384,185 has been approved to be transferred during the year [2020 – \$377,668].

[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 \$945,268 has been approved to be transferred during the year [2020 – \$702,425].

[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

	2021 \$	2020 \$
Salaries and benefits	4,304,714	3,651,865
Occupancy	956,583	518,240
Vehicle and transportation	202,802	173,023
Other	504,600	569,545
	<u>5,968,699</u>	<u>4,912,673</u>

During the year ended August 31, 2021, the Society qualified for and received government assistance in the amount of \$52,969 [2020 – nil] as part of the Alberta government one-time payment of \$1,200 for the Critical Worker Benefits. The amounts received have been netted against the salaries and benefits line within operating costs in the statement of operations.

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Notes to financial statements

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10. Food donations-in-kind

In 2021, management estimates that approximately 13.2 million pounds [2020 – 13 million pounds] of food was received and distributed net of recycled food waste.

11. Net change in non-cash working capital balances

	2021	2020
	\$	\$
Decrease (increase) in accounts receivable	(147,582)	116,014
Decrease (increase) in prepaid expenses and other assets	(56,145)	1,664
Increase (decrease) in accounts payable and accrued liabilities	352,632	(200,348)
Increase (decrease) in deferred operating contributions	132,424	(21,037)
	281,329	(103,707)

12. Financial instruments

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 \$155,729 [2020 – \$26,574] 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. 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.