

Financial statements

Calgary Inter-Faith Food Bank Society

August 31, 2016



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, 2016, 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, 2016 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 25, 2016

EY
Ernst + Young LLP

Chartered Professional Accountants

EY

Calgary Inter-Faith Food Bank Society

Statement of financial position

As at August 31

	2016	2015
	\$	\$
Assets		
Current		
Cash and cash equivalents	3,078,294	797,689
Short-term investments <i>[note 3]</i>	1,990,129	1,983,100
Accounts receivable <i>[note 11]</i>	59,052	48,129
Prepaid expenses and other assets	338,028	294,968
Total current assets	5,465,503	3,123,886
Long-term investments <i>[note 3]</i>	884,069	551,563
Property, plant and equipment, net <i>[note 4]</i>	5,507,126	5,732,212
	11,856,698	9,407,661
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	250,564	307,453
Deferred operating contributions <i>[note 5]</i>	168,308	351,423
Total current liabilities	418,872	658,876
Deferred capital contributions <i>[note 6]</i>	584,432	115,101
Total liabilities	1,003,304	773,977
Net assets		
Unrestricted	3,907,889	1,548,766
Internally restricted <i>[note 7]</i>	6,945,505	7,084,918
Total net assets	10,853,394	8,633,684
	11,856,698	9,407,661

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of operations

Year ended August 31

	2016	2015
	\$	\$
Revenue		
Contributions <i>[note 5]</i>	9,423,448	7,100,757
Food donations-in-kind <i>[note 9]</i>	27,065,085	27,379,438
Non-food donations-in-kind	84,071	120,078
Casino funds received	67,613	2,500
Investment income <i>[note 7]</i>	111,152	53,726
Other	101,135	193,603
	<u>36,852,504</u>	<u>34,850,102</u>
Expenses		
Food donations-in-kind <i>[note 9]</i>	27,065,085	27,379,438
Non-food donations-in-kind	84,071	120,078
Food purchases	1,284,666	1,018,932
Administration and finance	1,300,038	1,110,682
Operating costs <i>[note 8]</i>	3,785,337	3,891,758
Client services	596,775	664,433
Development and fundraising	64,723	41,373
Communications and resource development	90,372	100,592
	<u>34,271,067</u>	<u>34,327,286</u>
Excess of revenue over expenses before the following	2,581,437	522,816
Amortization of deferred capital contributions <i>[note 6]</i>	29,635	58,353
Amortization of property, plant and equipment	(391,362)	(386,551)
	<u>(361,727)</u>	<u>(328,198)</u>
Excess of revenue over expenses for the year	<u>2,219,710</u>	<u>194,618</u>

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of changes in net assets

Year ended August 31

	Unrestricted \$	Internally restricted \$	2016 \$
Net assets, beginning of year	1,548,766	7,084,918	8,633,684
Excess of revenue 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

	Unrestricted \$	Internally restricted \$	2015 \$
Net assets, beginning of year	1,509,863	6,929,203	8,439,066
Excess of revenue over expenses for the year	194,618	—	194,618
Transfers to Legacy Fund <i>[note 7]</i>	(111,984)	111,984	—
Transfers to investment in property, plant and equipment <i>[note 7]</i>	(43,731)	43,731	—
Net assets, end of year	1,548,766	7,084,918	8,633,684

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of cash flows

Year ended August 31

	2016	2015
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	2,219,710	194,618
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(29,635)	(58,353)
Amortization of property, plant and equipment	391,362	386,551
Loss on disposal	3,746	—
	<u>2,585,183</u>	<u>522,816</u>
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	(293,987)	202,449
Cash provided by operating activities	<u>2,291,196</u>	<u>725,265</u>
Investing activities		
Net increase in investments	(339,535)	(250,097)
Property, plant and equipment acquired	(170,022)	(397,456)
Cash used in investing activities	<u>(509,557)</u>	<u>(647,553)</u>
Financing activities		
Contributions restricted for purchase of property, plant and equipment	498,966	5,700
Cash provided by financing activities	<u>498,966</u>	<u>5,700</u>
Net increase in cash during the year	2,280,605	83,412
Cash and cash equivalents, beginning of year	797,689	714,277
Cash and cash equivalents, end of year	<u>3,078,294</u>	<u>797,689</u>

See accompanying notes

Calgary Inter-Faith Food Bank Society

Notes to financial statements

August 31, 2016

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 market value at the date the donation is made. Food and non-food in-kind donations without a fair value assigned by the donor are recorded at \$2.00 and \$1.00 per pound, respectively based on average historical cost.

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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August 31, 2016

[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 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
Telephone system	10 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 their 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.

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Notes to financial statements

August 31, 2016

3. Investments

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

	2016 \$	2015 \$
Cash held by investment managers	14,511	105,381
Fixed income securities	1,360,549	1,358,111
Mutual funds	1,066,140	836,805
Canadian equities	361,081	178,801
Foreign equities	62,780	52,080
US equities	9,137	3,485
Total investments	2,874,198	2,534,663
Less: Short term investments	(1,990,129)	(1,983,100)
Total Long term investments	<u>884,069</u>	<u>551,563</u>

Investments in pooled funds have been allocated among the asset classes based on the underlying investments held in the pooled funds. The fixed income investments had effective interest rates in 2016 ranging from 1.46% to 2.95% with maturity dates ranging from 1 month to 53 months [2015 – 1.76% to 2.95%].

4. Property, plant and equipment

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	
Tangible				
Land	1,974,000	—	1,974,000	1,974,000
Building	3,561,495	(730,106)	2,831,389	2,945,889
Automotive	822,264	(693,710)	128,554	119,192
Computer equipment	323,499	(323,072)	427	1,770
Telephone system	133,596	(90,316)	43,280	53,676
Equipment	702,132	(619,463)	82,669	108,600
Furniture and fixtures	572,591	(313,725)	258,866	235,572
	<u>8,089,577</u>	<u>(2,770,392)</u>	<u>5,319,185</u>	<u>5,438,699</u>
Intangible				
Computer software	314,038	(310,471)	3,567	15,263
Network upgrade	289,443	(172,742)	116,701	174,590
Communication portal	113,096	(56,669)	56,427	87,915
Network security	22,493	(11,247)	11,246	15,745
	<u>739,070</u>	<u>(551,129)</u>	<u>187,941</u>	<u>293,513</u>
	<u>8,828,647</u>	<u>(3,321,521)</u>	<u>5,507,126</u>	<u>5,732,212</u>

Calgary Inter-Faith Food Bank Society

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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:

	2016 \$	2015 \$
Balance, beginning of year	351,423	15,368
Donations received for food purchases	71,097	427,532
Other externally restricted donations received	67,721	—
Amount recognized as revenue during the year	(321,933)	(91,477)
Balance, end of year	<u>168,308</u>	<u>351,423</u>

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:

	2016 \$	2015 \$
Balance, beginning of year	115,101	167,754
Contributions externally restricted for purchase of property, plant and equipment	498,966	5,700
Amortization of deferred capital contributions	(29,635)	(58,353)
Balance, end of year	<u>584,432</u>	<u>115,101</u>

The total unspent externally restricted capital contributions is \$497,964 as at August 31, 2016 [2015 – \$16,497].

Calgary Inter-Faith Food Bank Society

Notes to financial statements

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7. Internally restricted net assets

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. Annual investment income earned on this fund, amounting to \$13,977 in fiscal 2016 [2015 – \$17,254] has been included in investment income in the statement of operations and transferred into the Legacy Fund.

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 recorded.

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.

Internally restricted net assets consist of the following:

	2016 \$	2015 \$
Legacy Fund	1,024,847	951,310
Capital Replacement Reserve	500,000	500,000
Investment in property, plant and equipment	5,420,658	5,633,608
Total internally restricted	<u>6,945,505</u>	<u>7,084,918</u>

8. Operating costs

	2016 \$	2015 \$
Salaries and benefits	2,898,368	3,096,801
Occupancy	229,374	242,167
Vehicle and transportation	214,321	174,717
Other	443,274	378,073
	<u>3,785,337</u>	<u>3,891,758</u>

9. Food donations-in-kind

The food donations are valued at an average price per pound of \$2.00. In 2016, management estimates that approximately 13.5 million pounds of food were received and distributed [2015 – 13.9 million pounds at \$1.98 per pound]

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Notes to financial statements

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10. Net change in non-cash working capital balances

	2016	2015
	\$	\$
Decrease (increase) in accounts receivable	(10,923)	15,590
Increase in prepaid expenses and other assets	(43,060)	(126,976)
Decrease in accounts payable and accrued liabilities	(56,889)	(22,220)
Increase (decrease) in deferred operating contributions	(183,115)	336,055
	<u>(293,987)</u>	<u>202,449</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. As at August 31, 2016, the accounts receivable balance includes \$12,878 outstanding from Moneris and \$39,747 due from the Canada Revenue Agency [2015 – \$24,862 from Canada Revenue Agency]. No allowance for doubtful accounts has been recorded.

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.

