

Calgary Inter-Faith Food Bank Society

Financial statements
August 31, 2022



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, 2022, 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, 2022, 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 26, 2022

Ernst & Young LLP

Chartered Professional Accountants



Calgary Inter-Faith Food Bank Society

Statement of financial position

As at August 31

	2022	2021
	\$	\$
Assets		
Current		
Cash and cash equivalents	13,099,744	20,369,695
Accounts receivable <i>[note 12]</i>	157,721	176,467
Prepaid expenses and other assets	183,412	166,158
Total current assets	13,440,877	20,712,320
Investments <i>[note 3]</i>	12,168,173	6,826,527
Property, plant and equipment, net <i>[notes 4 and 8]</i>	13,514,751	10,675,799
	39,123,801	38,214,646
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	1,174,788	1,330,889
Deferred operating contributions <i>[note 5]</i>	158,316	151,608
Total current liabilities	1,333,104	1,482,497
Deferred capital contributions <i>[note 6]</i>	703,872	707,568
Total liabilities	2,036,976	2,190,065
Commitments <i>[note 7]</i>		
Net assets		
Unrestricted	11,935,480	19,115,040
Internally restricted <i>[note 8]</i>	25,151,345	16,909,541
Total net assets	37,086,825	36,024,581
	39,123,801	38,214,646

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of operations

Year ended August 31

	2022	2021
	\$	\$
Revenues		
Contributions <i>[note 5]</i>	16,619,779	19,000,479
Food donations-in-kind <i>[note 10]</i>	31,471,733	34,669,833
Non-food donations-in-kind	158,521	578,137
Casino funds received	70,148	554,945
Interest and investment (loss) income <i>[note 8]</i>	(246,026)	809,689
Other	668,893	622,657
	48,743,048	56,235,740
Expenses		
Food donations-in-kind <i>[note 10]</i>	31,471,733	34,669,833
Non-food donations-in-kind	158,521	578,137
Food purchases	5,003,103	2,978,697
Administration and finance	2,194,618	1,978,679
Operating costs <i>[note 9]</i>	6,732,720	5,968,699
Client services	1,252,365	1,031,379
Development and fundraising	42,337	86,554
Communications and resource development	70,806	87,995
	46,926,203	47,379,973
Excess of revenue over expenses before the following	1,816,845	8,855,767
Amortization of deferred capital contributions <i>[note 6]</i>	194,309	208,491
Amortization of property, plant and equipment	(948,910)	(785,541)
	(754,601)	(577,050)
Excess of revenues over expenses for the year	1,062,244	8,278,717

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of changes in net assets

Year ended August 31

	Unrestricted	Internally restricted	2022
	\$	\$	\$
Net assets, beginning of year	19,115,040	16,909,541	36,024,581
Excess of revenues over expenses for the year	1,062,244	—	1,062,244
Transfers to Strategy Fund <i>[note 8]</i>	(4,918,094)	4,918,094	—
Transfer to Capital Replacement Reserve <i>[note 8]</i>	(423,552)	423,552	—
Transfers to investment in property, plant and equipment <i>[note 8]</i>	(2,900,158)	2,900,158	—
Net assets, end of year	11,935,480	25,151,345	37,086,825

	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

See accompanying notes

Calgary Inter-Faith Food Bank Society

Statement of cash flows

Year ended August 31

	2022	2021
	\$	\$
Operating activities		
Excess of revenues over expenses for the year	1,062,244	8,278,717
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(194,309)	(208,491)
Amortization of property, plant and equipment	948,910	785,541
Unrealized (gain) loss on investments	540,059	(486,718)
Reinvested realized investment income	(294,033)	(205,351)
	<u>2,062,871</u>	<u>8,163,698</u>
Net change in non-cash working capital balances related to operations <i>[note 11]</i>	(147,901)	281,329
Cash provided by operating activities	<u>1,914,970</u>	<u>8,445,027</u>
Investing activities		
Purchase of investments	(5,341,646)	(637,384)
Property, plant and equipment purchased	(3,787,862)	(5,264,096)
Net change in non-cash working capital balances related to investing	(246,026)	675,659
Cash used in investing activities	<u>(9,375,534)</u>	<u>(5,225,821)</u>
Financing activities		
Contributions restricted for purchase of property, plant and equipment	190,613	30,000
Cash provided by financing activities	<u>190,613</u>	<u>30,000</u>
Net (decrease) increase in cash during the year	(7,269,951)	3,249,206
Cash and cash equivalents, beginning of year	20,369,695	17,120,489
Cash and cash equivalents, end of year	<u>13,099,744</u>	<u>20,369,695</u>

See accompanying notes

Calgary Inter-Faith Food Bank Society

Notes to financial statements

August 31, 2022

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 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 and Non-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 and non-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 [2021 – \$2.60 per pound]. Costs per pound are based on national food studies conducted by Food Banks.

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 and communication portal	3 years
Network upgrade and 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.

Calgary Inter-Faith Food Bank Society

Notes to financial statements

August 31, 2022

3. Investments

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

	2022 \$	2021 \$
Cash and cash equivalents	536,888	338,975
Fixed income	6,866,161	3,740,175
Canadian and foreign equity	3,824,438	2,306,079
US denominated equity and fixed income	940,686	441,298
Total investments	12,168,173	6,826,527

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 1.34% to 4.85% [2021 – 1.13% to 3.64%] with maturity dates ranging from 5 days to 75 months [2021 – 3 months to 72 months].

4. Property, plant and equipment

	2022		2021	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Tangible				
Land	3,414,000	—	3,414,000	3,414,000
Building	8,881,100	1,750,248	7,130,852	5,557,674
Automotive	1,811,220	1,345,524	465,696	706,854
Computer equipment	266,688	168,078	98,610	71,807
Equipment	1,410,499	793,195	617,304	561,851
Furniture and fixtures	1,698,881	980,158	718,723	299,647
	17,482,388	5,037,203	12,445,185	10,611,833
Intangible				
Computer software and communication portal	1,536,311	471,708	1,064,603	38,409
Network upgrade and security	396,908	391,945	4,963	25,557
	1,933,219	863,653	1,069,566	63,966
	19,415,607	5,900,856	13,514,751	10,675,799

As at August 31, 2022, computer software with a value of \$1,026,842 was still under construction. As such, no amortization was recorded for this asset.

Calgary Inter-Faith Food Bank Society

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5. Deferred operating contributions

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

	2022 \$	2021 \$
Balance, beginning of year	151,608	19,184
Other externally restricted donations received	42,811	200,668
Amount recognized as revenue during the year	(36,103)	(68,244)
Balance, end of year	158,316	151,608

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:

	2022 \$	2021 \$
Balance, beginning of year	707,568	886,059
Contributions externally restricted for purchase of property, plant and equipment	190,613	30,000
Amortization of deferred capital contributions	(194,309)	(208,491)
Balance, end of year	703,872	707,568

The total unspent externally restricted capital contributions is \$172,294 as at August 31, 2022 [2021 – \$114,783].

7. Commitments

The Society has an operating lease for a warehouse which expires January 31, 2027. The annual minimum payments under the lease are as follows:

	\$
2023	225,667
2024	225,667
2025	225,667
2026	225,667
2027	94,315
	<u>996,983</u>

Calgary Inter-Faith Food Bank Society

Notes to financial statements

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8. Internally restricted net assets

Internally restricted net assets consist of the following:

	2022	2021
	\$	\$
Strategy fund	7,201,836	2,283,742
Capital replacement reserve	4,966,337	4,542,785
Investment in property, plant and equipment	12,983,172	10,083,014
Total internally restricted	25,151,345	16,909,541

[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 \$4,918,094 has been approved to be transferred during the year [2021 – \$384,185].

[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 \$423,552 has been approved to be transferred during the year [2021 – \$945,268].

[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

	2022	2021
	\$	\$
Salaries and benefits	4,601,033	4,304,714
Occupancy	842,131	956,583
Vehicle and transportation	304,386	202,802
Other	985,170	504,600
	6,732,720	5,968,699

10. Food donations-in-kind

In 2022, management estimates that approximately 12.4 million pounds [2021 – 13.2 million pounds] of food was received and distributed net of recycled food waste.

Calgary Inter-Faith Food Bank Society

Notes to financial statements

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11. Net change in non-cash working capital balances

	2022	2021
	\$	\$
Decrease (increase) in accounts receivable	18,746	(147,582)
Decrease (increase) in prepaid expenses and other assets	(17,254)	(56,145)
Increase (decrease) in accounts payable and accrued liabilities	(156,101)	352,632
Increase (decrease) in deferred operating contributions	6,708	132,424
	<u>(147,901)</u>	<u>281,329</u>

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 \$151,531 [2021 – \$155,729] 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.

Currency risk

The Society is exposed to currency risk with respect to fluctuations in foreign exchange rates on its US denominated investments held.