

FOOD BANKS ALBERTA ASSOCIATION
FORMERLY KNOWN AS ALBERTA FOOD BANK NETWORK ASSOCIATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016



INDEPENDENT AUDITORS' REPORT

To the Members of Food Banks Alberta Association

We have audited the accompanying financial statements of Food Banks Alberta Association, which comprise the statement of financial position as at December 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 auditor's 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 auditor considers 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

In common with many Not-for-Profit organizations, Food Banks Alberta Association derives revenue from donations and donated food products, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Food Banks Alberta Association. Therefore, we were not able to determine whether any adjustments might be necessary to donations and donated food products, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2016, current assets and net assets as at December 31, 2016.

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 Food Banks Alberta Association as at December 31, 2016 and the results of its operations and its cash flows, changes in net assets and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations

April 18, 2017

Hawkings Epp Dumont LLP

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Chartered Accountants

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FOOD BANKS ALBERTA ASSOCIATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash and cash equivalents (Note 3)	\$ 1,120,181	\$ 120,291
Short-term Investments (Note 4)	-	305,868
Accounts receivable (Note 5)	644,115	21,793
Goods and Services Tax recoverable	16,088	559
Prepaid expenses	<u>16,030</u>	<u>1,476</u>
	1,796,414	449,987
CAPITAL ASSETS (Note 6)	<u>70,172</u>	<u>-</u>
	<u>\$ 1,866,586</u>	<u>\$ 449,987</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ <u>533,573</u>	\$ <u>32,047</u>
NET ASSETS		
General fund	588,084	150,755
Internally restricted funds	461,289	185,643
Externally restricted funds	<u>283,640</u>	<u>81,542</u>
	<u>1,333,013</u>	<u>417,940</u>
	<u>\$ 1,866,586</u>	<u>\$ 449,987</u>

ON BEHALF OF THE BOARD:

 Director
 Director

FOOD BANKS ALBERTA ASSOCIATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Internally Restricted	Externally Restricted	2016	2015
	Fund	Funds	Funds		
REVENUE					
Donations	\$ 661,981	\$ -	\$ 3,384,481	\$ 4,046,462	\$ 198,654
Program sponsorships	334,001	-	-	334,001	328,655
Membership fees	10,800	-	-	10,800	7,067
Interest	1,170	646	328	2,144	2,870
Other income	65,067	-	-	65,067	5,004
Non-food donations-in-kind	13,933	-	189,170	203,103	-
Food donations-in-kind <i>(Note 8)</i>	<u>1,974,963</u>	<u>-</u>	<u>1,909,174</u>	<u>3,884,137</u>	<u>1,816,100</u>
	<u>3,061,915</u>	<u>646</u>	<u>5,483,153</u>	<u>8,545,714</u>	<u>2,358,350</u>
EXPENSES					
Member services and support	377,573	-	2,627,711	3,005,284	26,050
Distributions to membership	215,018	-	160,000	375,018	390,657
Administration	86,859	-	120,000	206,859	154,909
Non-food donations-in-kind	13,933	-	189,170	203,103	-
Food donations-in-kind <i>(Note 8)</i>	<u>1,974,963</u>	<u>-</u>	<u>1,909,174</u>	<u>3,884,137</u>	<u>1,816,100</u>
	<u>2,668,346</u>	<u>-</u>	<u>5,006,055</u>	<u>7,674,401</u>	<u>2,387,716</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 393,569</u>	<u>\$ 646</u>	<u>\$ 477,098</u>	<u>\$ 871,313</u>	<u>\$ (29,366)</u>

The accompanying notes are an integral part of these financial statements.

FOOD BANKS ALBERTA ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Operating	Disaster	Food	Total	Assistance	Transportation	Bulk Food	Fire	Community	Total	2016	2015
	Fund	Reserve	Relief	Reserve	Internally	Reserve	Reserve	Purchase	Relief	Kitchen	Externally		
			Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Restricted		
Balance, beginning of year	\$ 150,755	\$ 185,643	\$ -	\$ -	\$ 185,643	\$ 22,598	\$ 38,942	\$ 16,514	\$ -	\$ 3,488	\$ 81,542	\$ 417,940	\$ 447,306
Excess (deficiency) of revenue over expenses	393,569	612	6	28	646	(2,831)	19,193	20,193	440,581	(38)	477,098	871,313	(29,366)
Merger (Note 11)	43,760	-	-	-	-	-	-	-	-	-	-	43,760	-
Interfund transfers	-	-	125,000	150,000	275,000	95,000	-	-	(370,000)	-	(275,000)	-	-
Balance, end of year	\$ 588,084	\$ 186,255	\$ 125,006	\$ 150,028	\$ 461,289	\$ 114,767	\$ 58,135	\$ 36,707	\$ 70,581	\$ 3,450	\$ 283,640	\$ 1,333,013	\$ 417,940

The accompanying notes are an integral part of these financial statements.

FOOD BANKS ALBERTA ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 871,313	\$ (29,366)
Amortization of tangible capital assets	<u>7,797</u>	<u>-</u>
	<u>879,110</u>	<u>(29,366)</u>
Changes in non-cash working capital:		
Accounts receivable	(622,322)	(21,793)
Goods and Services Tax recoverable	(15,529)	(308)
Prepaid expenses	(14,554)	(279)
Accounts payable and accrued liabilities	501,526	6,962
Employee deductions payable	<u>-</u>	<u>(923)</u>
	<u>(150,879)</u>	<u>(16,341)</u>
INVESTING ACTIVITIES		
Disposal of short-term investments	305,868	6,617
Purchase of capital assets	(77,969)	-
Merger (<i>Note 11</i>)	<u>43,760</u>	<u>-</u>
	<u>271,659</u>	<u>6,617</u>
INCREASE (DECREASE) IN CASH FLOW	999,890	(39,090)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>120,291</u>	<u>159,381</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,120,181</u>	<u>\$ 120,291</u>

FOOD BANKS ALBERTA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. NATURE OF OPERATIONS

The Food Banks Alberta Association (formerly known as Alberta Food Bank Network Association) is a provincial organization representing and supporting food bank community across the province. Its mandate is to provide support and leadership to food banks in Alberta in their efforts to provide short-term relief in the area of food insecurity while working on long-term solutions for hunger and poverty. The Association was incorporated under the *Societies Act* of Alberta in 1998. It is designated as a charitable organization with Canada Revenue Agency and therefore is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Association follows the restricted fund method of accounting for contributions.

Restricted donations and grants are recognized as revenue of the appropriate restricted funds. All other restricted donations and grants for which no restricted funds have been established are deferred and recognized as revenue of the General Fund in the years in which the related expenses are incurred. Unrestricted donations or grants are recognized as revenue of the General Fund.

Revenue from sales of goods and services is recognized when services are provided or products are delivered to members, there is clear proof that an arrangement exists, amounts are fixed or can be determined and the ability to collect is reasonably assured.

Donations received in kind are recorded at estimated fair market value at the date the donation is made.

Food donations-in-kind are recorded at \$5.50 per kilogram based on the Food Banks Canada national valuation standard.

Interest income is recognized as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents include operating accounts and high yield interest savings accounts. All amounts are readily converted into known amounts of cash and are subjected to an insignificant change in value.

(continues)

FOOD BANKS ALBERTA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Office equipment	20%	Declining-balance method
Warehouse equipment	20%	Declining-balance method

The Association regularly reviews its tangible capital assets to eliminate obsolete items. In the year of acquisition, half rate are applied.

Donated services

A number of volunteers provide significant amount of time to the activities of the Association. Because of the difficulty in assigning values for such services, the value of donated time is not reflected in the financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures for the year then ended. Actual results may differ from such estimates. Balances for which estimates were used are accrued liabilities and the value of donated food products.

Food purchases and inventory

The Food purchases are recorded as an expense at the date of purchase. Food items on hand at year-end are not recorded as inventory.

Financial instruments

Financial assets and financial liabilities are initially recognized at a fair value when the Association becomes a party to the contractual provision of the financial instruments. Subsequently, all financial instruments are measured at amortized cost, except for investments.

Financial assets are measured at amortized cost are cash and cash equivalents and accounts receivable, while financial liabilities measured at amortized cost are accounts payable and accrued liabilities.

Financial assets measured at amortized cost are assessed at each reporting date for indication of impairment. If such impairment exist, the asset is written down and the resulting impairment loss is recognized in the statement of operations.

FOOD BANKS ALBERTA ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of funds

General Fund:

Unrestricted fund - records the operating activities of the Association.

Invested in Capital Assets - records the Association's capital assets, less any related capital grants.

Internally Restricted Funds:

Operating reserve - established by the Board to cover one year of operations costs.

Disaster relief reserve - The board of directors of the association created this Reserve Fund in late 2016 to support any food bank impacted by a disaster and to develop a provincial disaster management program for the food bank network to assist in large-scale disaster support.

Food reserve - The board of directors of the association created this Reserve Fund in late 2016 for the ongoing large-scale purchase of high demand food to share with member food banks.

Externally Restricted Funds:

Assistance reserve - includes grants or funds from donors to support rural and smaller food banks with capacity building, infrastructure needs or other critical financial support.

Transportation reserve - includes grants or funds from donors to assist with transporting of food and food related items to Alberta food banks.

Bulk Food Purchase reserve - includes grants or funds from donors to reimburse member food banks for their purchase of some food items in bulk.

Community Kitchen reserve - includes grants or funds from specific groups for distribution to Community Kitchen programs.

Fire relief reserve - established to hold donations to support 2016 wildfire relief.

3. CASH AND CASH EQUIVALENTS

	2016	2015
Servus - Unrestricted reserve	\$ 314,940	\$ -
Servus - Operating reserve	186,255	-
Servus - Food reserve	150,028	-
Servus - Operating account	130,892	-
Servus - Disaster Relief	125,006	-
Servus - Assistance	114,767	-
Servus - Transportation reserve	58,135	-
Servus - Bulk Food reserve	36,707	-
Servus - Community Kitchens reserve	3,450	-
Servus - Common shares	1	-
CIBC - Operating account	-	120,291
	<u>\$ 1,120,181</u>	<u>\$ 120,291</u>

FOOD BANKS ALBERTA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. SHORT-TERM INVESTMENTS

	2016	2015
CIBC Guaranteed Investment Certificates	\$ <u> -</u>	\$ <u> 305,868</u>

5. ACCOUNTS RECEIVABLE

	2016	2015
Canadian Red Cross	\$ 424,992	\$ -
Food Banks Canada	185,090	-
Other	<u>34,033</u>	<u>21,793</u>
	<u>\$ 644,115</u>	<u>\$ 21,793</u>

6. CAPITAL ASSETS

Details of tangible capital assets are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2016</u>	<u>2015</u>
Office equipment	\$ 2,027	\$ 203	\$ 1,824	\$ -
Warehouse equipment	<u>75,942</u>	<u>7,594</u>	<u>68,348</u>	<u>-</u>
	<u>\$ 77,969</u>	<u>\$ 7,797</u>	<u>\$ 70,172</u>	<u>\$ -</u>

7. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity.

Credit risk

The Association's credit risk is primarily attributable to its accounts receivable. The Association manages the risk through proactive collection policies.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its members, donors and other related sources, and accounts payable and accrued liabilities.

The Association mitigates this risk by monitoring cash activities.

8. FOOD DONATIONS IN-KIND

The food donations are valued at an average price per kilogram of \$5.50 based on the Food Banks Canada national valuation standard or based on wholesale cost. In 2016, management estimates that approximately 706,207 kilograms of food were received and distributed (330,200 kilograms at \$5.50 per kilogram in 2015) for a total value of \$3,884,137 (2015 - \$1,816,100).

Since donated food is distributed to other organizations, the inventory has no realizable value. Therefore, in accordance with accounting standards for not-for-profit organizations, inventory has not been recorded as an asset in the statements of the Association.

9. INCOME TAXES

The Association is a registered charity within the meaning of the *Income Tax Act* (Canada) and, as such, is exempt from income taxes.

The accompanying notes are an integral part of these financial statements.

FOOD BANKS ALBERTA ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

10. CHANGE IN ACCOUNTING POLICY

Prior to 2016, the Association followed Section 4431.03 Part III - Accounting Standards for Not-for-Profit Organizations of the CICA Handbook. Under this subsection organizations with average annual revenues recognized in the statement of operations for the current and preceding period of less than \$500,000 may limit the application of the Section 4431, which requires that property and equipment of not-for-profit organizations be capitalized and amortized over the estimated useful life of the asset.

In 2016, the Association's average annual revenues recognized in the statement of operations for current and preceding period exceeded the \$500,000 threshold. Therefore, the Association was required to make a change in its tangible capital assets previously expensed.

The change in accounting policy was applied retroactively in the accompanying financial statements. There was no effect to the prior year financial statements as a result of adoption of the new accounting policy.

11. MERGER

On November 1, 2016, the Food Banks Alberta Association (the "Association") merged with the South Central Alberta Food Bank Federation (the "South Food Bank"). Pursuant to the merger agreement the South Food Bank transferred all of its assets to the Association and the Association assumed all of the South Food Bank's liabilities. A total cash amount of \$43,760 was transferred to the Association as a result of this merger. As such, the South Food Bank terminated all operations and moved forwards formally dissolving under the Companies Act (Alberta) and ceasing to exist.

12. COMPARATIVE FIGURES

Certain 2015 comparative figures have been reclassified to conform to the current year's presentation.