

**FOOD BANKS ALBERTA ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

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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, 2017 and the statements of revenue and expenses, 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 expenses, and cash flows from operations for the year ended December 31, 2017, current assets and net assets as at December 31, 2017.

### *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, 2017 and the results of its revenue and expenses 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.

**METRIX GROUP LLP**

Chartered Professional Accountants


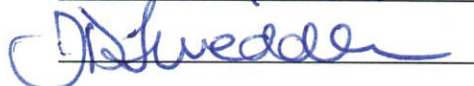
April 18, 2018  
Edmonton, Alberta



**FOOD BANKS ALBERTA ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 3)	\$ 983,456	\$ 1,120,181
Short-term investments (Note 4)	175,000	-
Accounts receivable (Note 5)	229,029	644,115
Goods and Services Tax recoverable	9,856	16,088
Prepaid expenses	<u>17,479</u>	<u>16,030</u>
	1,414,820	1,796,414
<b>CAPITAL ASSETS (Note 6)</b>	<u>80,924</u>	<u>70,172</u>
	<u>\$ 1,495,744</u>	<u>\$ 1,866,586</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ <u>81,097</u>	\$ <u>533,573</u>
<b>DEFERRED CONTRIBUTIONS (Note 7)</b>	<u>199,417</u>	<u>-</u>
<b>NET ASSETS</b>		
General fund	184,953	588,084
Internally restricted funds	632,689	461,289
Externally restricted funds	<u>397,588</u>	<u>283,640</u>
	<u>1,215,230</u>	<u>1,333,013</u>
	<u>\$ 1,495,744</u>	<u>\$ 1,866,586</u>

**ON BEHALF OF THE BOARD:**

 Director  
 Director

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

**FOOD BANKS ALBERTA ASSOCIATION**  
**STATEMENT OF REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Internally Restricted	Externally Restricted	2017	2016
	Fund	Funds	Funds		
<b>REVENUE</b>					
Donations	\$ 606,702	\$ -	\$ 92,341	\$ <b>699,043</b>	\$ 4,046,462
Food donations-in-kind (Note 9)	503,390	-	-	<b>503,390</b>	3,884,137
Program sponsorships	156,864	-	-	<b>156,864</b>	334,001
Non-food donations-in-kind	116,667	-	-	<b>116,667</b>	203,103
Grants	6,297	-	20,000	<b>26,297</b>	-
Other income	17,426	-	-	<b>17,426</b>	65,067
Membership fees	10,850	-	-	<b>10,850</b>	10,800
Interest	3,217	639	699	<b>4,555</b>	2,144
	<u>1,421,413</u>	<u>639</u>	<u>113,040</u>	<b><u>1,535,092</u></b>	<u>8,545,714</u>
<b>EXPENSES</b>					
Food donations-in-kind (Note 9)	503,390	-	-	<b>503,390</b>	3,884,137
Distributions to membership	456,205	410	-	<b>456,615</b>	375,018
Administration	316,289	108,829	-	<b>425,118</b>	206,859
Member services and support	61,993	-	89,092	<b>151,085</b>	3,005,284
Non-food donations-in-kind	116,667	-	-	<b>116,667</b>	203,103
	<u>1,454,544</u>	<u>109,239</u>	<u>89,092</u>	<b><u>1,652,875</u></b>	<u>7,674,401</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (33,131)</b>	<b>\$ (108,600)</b>	<b>\$ 23,948</b>	<b>\$ (117,783)</b>	<b>\$ 871,313</b>

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, 2017**

	General	Internally Restricted	Externally Restricted	2017	2016
	Fund	Funds	Funds		
		(Schedule 1)	(Schedule 2)		
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 588,084	\$ 461,289	\$ 283,640	<b>\$ 1,333,013</b>	\$ 417,940
Excess of revenue over expenses	(33,131)	(108,600)	23,948	<b>(117,783)</b>	871,313
Merger	-	-	-	-	43,760
Interfund transfers	<u>(370,000)</u>	<u>280,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
<b>BALANCE, END OF YEAR</b>	<u>184,953</u>	<u>632,689</u>	<u>397,588</u>	<b><u>1,215,230</u></b>	<u>1,333,013</u>

**FOOD BANKS ALBERTA ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ (117,783)	\$ 871,313
Amortization of tangible capital assets	<u>16,788</u>	<u>7,797</u>
	<u>(100,995)</u>	<u>879,110</u>
Changes in non-cash working capital:		
Accounts receivable	415,086	(622,322)
Goods and Services Tax recoverable	6,232	(15,529)
Prepaid expenses	1,449	(14,554)
Accounts payable and accrued liabilities	(455,374)	501,526
Deferred contributions	<u>199,417</u>	<u>-</u>
	<u>166,810</u>	<u>(150,879)</u>
<b>INVESTING ACTIVITIES</b>		
Disposal (purchase) of short-term investments	(175,000)	305,868
Purchase of capital assets	(27,540)	(77,969)
Merger	-	43,760
	<u>(202,540)</u>	<u>271,659</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(136,725)</b>	<b>999,890</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b><u>1,120,181</u></b>	<b><u>120,291</u></b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 983,456</u></b>	<b><u>\$ 1,120,181</u></b>

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, 2017**

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**1. NATURE OF OPERATIONS**

The Food Banks Alberta Association is a provincial organization representing and supporting the 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 under the *Income Tax Act (Canada)* and therefore is exempt from income taxes.

In 2016, Food Banks Alberta met an out-of-scope financial year whereby funding, operations and administration faced a force majeure circumstance due to the 2016 Fort McMurray wildfires. In 2017, Food Banks Alberta returned to normal operations and funding. The financial statement comparatives reflect this matter.

**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.

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**FOOD BANKS ALBERTA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**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-rates 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.

Measurement uncertainty

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 expenses for the year then ended. Significant areas requiring the use of management's estimates include the useful lives of capital assets and the corresponding rates of amortization, the amount of accrued liabilities, and assessment of the value of donated food and other products. All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

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 that 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, 2017**

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**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 operating costs.

Disaster relief reserve - The Board 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 created this Reserve Fund in late 2016 for the ongoing large-scale purchase of high demand food to share with member food banks.

Egg reserve - The Board created this Reserve Fund in 2017 to ensure funds are available to assist with any gaps in funding to sustain the provincial egg program.

Capital reserve - The Board created this Reserve Fund in 2017 to pay for any unexpected costs associated with the repair or maintenance of capital items.

**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**

	2017	2016
Servus - Restricted accounts	\$ 713,835	\$ 674,348
Servus - Unrestricted accounts	269,620	445,832
Servus - Common shares	1	1
	<u>\$ 983,456</u>	<u>\$ 1,120,181</u>

**FOOD BANKS ALBERTA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**4. SHORT-TERM INVESTMENTS**

	2017	2016
Guaranteed Investment Certificates	\$ <u>175,000</u>	\$ <u>-</u>

Guaranteed Investment Certificates bear interest ranging from 1.25% to 1.75% and mature between July 1, 2018 and December 1, 2018.

**5. ACCOUNTS RECEIVABLE**

	2017	2016
Canadian Red Cross	\$ <u>225,615</u>	\$ 424,992
Other	<u>3,414</u>	<u>34,033</u>
Food Banks Canada	<u>-</u>	<u>185,090</u>
	\$ <u>229,029</u>	\$ <u>644,115</u>

**6. CAPITAL ASSETS**

Details of tangible capital assets are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			2017	2016
Office equipment	\$ 2,027	\$ 568	\$ <u>1,459</u>	\$ 1,824
Warehouse equipment	<u>103,482</u>	<u>24,018</u>	<u>79,465</u>	<u>68,348</u>
	\$ <u>105,509</u>	\$ <u>24,586</u>	\$ <u>80,924</u>	\$ <u>70,172</u>

**7. DEFERRED CONTRIBUTIONS**

	2017	2016
Balance, beginning of year	\$ -	\$ -
Contributions received	<u>199,417</u>	<u>-</u>
Amount recognized as revenue during the year	<u>-</u>	<u>-</u>
Balance, end of year	\$ <u>199,417</u>	\$ <u>-</u>

**FOOD BANKS ALBERTA ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**8. FINANCIAL INSTRUMENTS**

The Association is exposed to various risks through its financial instruments. The following analysis provided information about the Association's risk exposure and concentration as of December 31, 2017.

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. Sufficient short-term investments are on hand at any given time that can readily be converted to cash to cover any expected and unexpected operating requirements.

Interest rate risk

Interest rate risk is the risk that the value of the Association's interest bearing financial instruments will fluctuate due to changes in prevailing interest rates. The Association is exposed to interest rate risk on its short-term investments and cash and cash equivalents. Management frequently reviews the interest rates to mitigate risk.

Changes in risk

There has been no significant change in the level of risk during the year.

**9. 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 2017, management estimates that approximately 91,525 kilograms of food were received and distributed (706,207 kilograms at \$5.50 per kilogram in 2016) for a total value of \$503,390 (2016 - \$3,884,137).

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.

**10. 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.

**11. COMPARATIVE FIGURES**

Certain 2016 comparative figures have been reclassified to conform to the current year's presentation.

**FOOD BANKS ALBERTA ASSOCIATION**  
**INTERNALLY RESTRICTED NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

*Schedule 1*

	Operating	Disaster	Food	Egg	Capital	Total	Total
	Reserve	Relief	Reserve	Reserve	Reserve	2017	2016
		Reserve					
Balance, beginning of year	\$ 186,255	\$ 125,006	\$ 150,028	\$ -	\$ -	\$ 461,289	\$ 185,643
Excess (deficiency) of revenue over expenses	-	(337)	(108,287)	15	9	(108,600)	646
Interfund transfers	<u>150,000</u>	<u>-</u>	<u>65,000</u>	<u>40,000</u>	<u>25,000</u>	<u>280,000</u>	<u>275,000</u>
Balance, end of year	<u>\$ 336,255</u>	<u>\$ 124,669</u>	<u>\$ 106,741</u>	<u>\$ 40,015</u>	<u>\$ 25,009</u>	<u>\$ 632,689</u>	<u>\$ 461,289</u>



**FOOD BANKS ALBERTA ASSOCIATION**  
**EXTERNALLY RESTRICTED NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

*Schedule 2*

	Assistance	Transportation	Bulk Food Purchase	Fire Relief	Community Kitchen	Total	Total
	Reserve	Reserve	Reserve	Reserve	Reserve	2017	2016
Balance, beginning of year	\$ 114,767	\$ 58,135	\$ 36,707	\$ 70,581	\$ 3,450	\$ 283,640	\$ 81,542
Excess (deficiency) of revenue over expenses	63,310	(41,527)	2,165	-	-	23,948	477,098
Interfund transfers	<u>25,000</u>	<u>40,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>(275,000)</u>
Balance, end of year	<u>\$ 203,077</u>	<u>\$ 56,608</u>	<u>\$ 63,872</u>	<u>\$ 70,581</u>	<u>\$ 3,450</u>	<u>\$ 397,588</u>	<u>\$ 283,640</u>