

Food Banks Alberta Association
Financial Statements
For the year ended December 31, 2019

	Contents
Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-15



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Independent Auditor's Report

To the Members of Food Banks Alberta Association

Opinion

We have audited the financial statements of Food Banks Alberta Association (the Association), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019, 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 Opinion

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 Association 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 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

Chartered Professional Accountants

Calgary, Alberta
May 22, 2020

Food Banks Alberta Association Statement of Financial Position

As at December 31 2019 2018

Assets

Current

Cash and cash equivalents (Note 3)	\$ 316,056	\$ 530,960
Short term investments (Note 4)	204,164	302,713
Accounts receivable	3,364	371,319
Goods and services tax recoverable	4,396	7,494
Prepaid expenses	11,822	10,617
Inventory	21,134	-
	560,936	1,223,103

Capital assets (Note 5)

	51,791	64,739
	\$ 612,727	\$ 1,287,842

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	33,206	16,273
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Deferred contributions (Note 6)

	1,500	303,646
	34,706	319,919

Net Assets

General fund	147,738	623,598
Internally restricted funds	320,519	221,009
Externally restricted funds	109,764	123,316
	578,021	967,923

	\$ 612,727	\$ 1,287,842
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Commitments and contingencies (Note 9)

Subsequent events (Note 10)

Approved on behalf of the Board:

_____, Director

_____, Director

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

Food Banks Alberta Association Statement of Operations

For the year ended December 31	General Funds	Internally Restricted Funds	Externally Restricted Funds	2019	2018
Revenue					
Donations	\$ 690,817	\$ -	\$ -	\$ 690,817	\$ 862,615
Food donations in-kind (Note 8)	1,038,110	-	-	1,038,110	700,513
Grants	-	-	-	-	3,635
Other income	50,508	-	-	50,508	22,289
Membership fees	10,250	-	-	10,250	10,150
Interest	6,967	782	805	8,554	7,757
	<u>1,796,652</u>	<u>782</u>	<u>805</u>	<u>1,798,239</u>	<u>1,606,959</u>
Expenditures					
Food donations in-kind (Note 8)	1,038,110	-	-	1,038,110	700,513
Distributions to membership	420,708	-	-	420,708	464,978
Administration	576,302	-	26,500	602,802	567,626
Member services and support	126,521	-	-	126,521	121,149
	<u>2,161,641</u>	<u>-</u>	<u>26,500</u>	<u>2,188,141</u>	<u>1,854,266</u>
Deficiency of revenues over expenditures	(364,989)	782	(25,695)	(389,902)	(247,307)

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	General Fund	Internally Restricted Funds (Schedule 1)	Externally Restricted Funds (Schedule 2)	2019	2018
Balance, beginning of year	\$ 623,598	\$ 221,009	\$ 123,316	\$ 967,923	\$ 1,215,230
Excess of revenue over expenses	(364,989)	782	(25,695)	(389,902)	(247,307)
Interfund transfers	(110,871)	98,728	12,143	-	-
Balance, end of year	147,738	320,519	109,764	578,021	967,923

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	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ (389,902)	\$ (247,307)
Amortization of capital assets	12,948	16,185
	(376,954)	(231,122)
Change in non-cash working capital items:		
Accounts receivable	367,955	(142,290)
Goods and Services Tax recoverable	3,098	2,362
Prepaid expenses	(1,205)	6,862
Accounts payable and accrued liabilities	16,933	(64,824)
Deferred contributions	(302,146)	104,229
Inventory	(21,134)	-
	63,501	(93,661)
Cash flows from investing activities		
Disposal (purchase) of short-term investments	98,549	(127,713)
	98,549	(127,713)
Decrease (increase) in bank indebtedness during the year	(214,904)	(452,496)
Cash and cash equivalents, beginning of year	530,960	983,456
Cash and cash equivalents, end of year	\$ 316,056	\$ 530,960

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

Food Banks Alberta Association Notes to the Financial Statements

December 31, 2019

1. Significant accounting policies

Nature of operations

The Food Banks Alberta Association (the 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.

Basis of accounting

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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 year 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 \$2.60 per pound based on the Food Banks Canada national valuation standard.

Interest income and other income is recognized as revenue when earned.

Membership fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, and collection is reasonably assured. Membership fees paid in advance are recorded as deferred revenue.

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.

Food Banks Alberta Association

Notes to the Financial Statements

December 31, 2019

1. Significant accounting policies, continued

Use of estimates

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts specifically affected by such estimates are accounts receivable, inventory, capital assets, accounts payable and accrued liabilities, and assessment of the value of donated food and other products.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Changes in estimates are recognized in the period of determination.

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 recorded as inventory.

Financial instruments

Financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. All financial instruments are initially measured at fair value and subsequently at cost or amortized cost, except for equities traded in an active market which are required to be measured at fair value.

Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Capital assets

Capital assets are recorded at cost less accumulated amortization. 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 capital assets to eliminate obsolete items. In the year of acquisition, half-rates are applied.

Food Banks Alberta Association Notes to the Financial Statements

December 31, 2019

1. Significant Accounting Policies, continued

Donated services

A number of volunteers provide a 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.

2. 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.

Interfund transfers are board approved reallocation of assets.

Food Banks Alberta Association Notes to the Financial Statements

December 31, 2019

3. Cash and cash equivalents

	2019	2018
Servus - Restricted accounts	\$ 322,082	\$ 479,582
Servus - Unrestricted accounts	(6,027)	51,377
Servus - Common shares	1	1
	\$ 316,056	\$ 530,960

4. Short-term investments

	2019	2018
Guaranteed investment certificates	\$ 204,164	\$ 302,713

Guaranteed investment certificates bear interest ranging from 2% to 2.45% (2018 1.75% to 2.35%) and mature between January 3, 2020 and December 1, 2020.

5. Capital assets

	Cost	Accumulated Amortization	Net Book Value 2019	Net Book Value 2018
Office equipment	\$ 2,027	\$ 1,093	\$ 934	\$ 1,167
Warehouse equipment	103,482	52,625	\$ 50,857	63,572
	\$ 105,509	\$ 53,718	\$ 51,791	\$ 64,739

6. Deferred contributions

	2019	2018
Balance, beginning of year	\$ 303,646	\$ 199,417
Contributions received	1,500	303,646
Amount recognized as revenue during the year	(303,646)	(199,417)
Balance, end of year	\$ 1,500	\$ 303,646

Food Banks Alberta Association

Notes to the Financial Statements

December 31, 2019

7. 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, 2019.

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.

8. Food donations in-kind

The food donations are valued at an average price per pound of \$2.60 based on the Food Banks Canada national valuation standard or based on wholesale cost. In 2019, management estimates that approximately 399,273 pounds of food were received and distributed (269,428 pounds at \$2.60 per pound in 2018) for a total value of \$1,038,110 (2018 - \$700,513).

Donated food is distributed to other organizations, the inventory has no realizable value. Therefore, donated food has not been recorded as an asset in the statements of the Association.

9. Commitments

The Association has the following lease commitment for warehouse space as follows:

2020	\$	79,950
2021		39,975
	\$	<u>119,925</u>

The current lease commitment for the warehouse space terminates on June 30, 2021.

Food Banks Alberta Association Notes to the Financial Statements

December 31, 2019

10. Subsequent Events

The global Covid19 pandemic has disrupted economic activities and supply chains. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The entity's ability to continue to service its members is dependent on the continued ability to generate revenue and manage expenses.

Food Banks Alberta Association Internally Restricted Net Assets

Schedule 1

For the year ended December 31, 2019

	Operating Reserve	Disaster Relief Reserve	Food Reserve	Egg Reserve	Capital Reserve	Total 2019	Total 2018
Balance, beginning of year	\$ 37,632	\$ 66,633	\$ 51,654	\$ 40,055	\$ 25,035	\$ 221,009	\$ 486,244
Excess of revenue over expenses		448	268	50	16	\$ 782	(123,213)
Interfund transfers	109,480	(11,793)	(750)	1,791	-	\$ 98,728	(142,022)
Balance, end of year	\$ 147,112	\$ 55,288	\$ 51,172	\$ 41,896	\$ 25,051	\$ 320,519	\$ 221,009

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

Food Banks Alberta Association Externally Restricted Net Assets

Schedule 2

For the year ended December 31, 2019

	Assistance Reserve	Transportation Reserve	Bulk Food Purchase Reserve	Total 2019	Total 2018
Balance, beginning of year	\$ 29,108	\$ 59,564	\$ 34,644	\$ 123,316	\$ 224,138
Excess of revenue over expenses	(14,790)	(11,081)	176	\$ (25,695)	(80,878)
Interfund transfers	5,000	12,139	(4,996)	\$ 12,143	(19,944)
Balance, end of year	\$ 19,318	\$ 60,622	\$ 29,824	\$ 109,764	\$ 123,316

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