

FOOD BANKS ALBERTA ASSOCIATION

Financial Statements

Year Ended December 31, 2022

FOOD BANKS ALBERTA ASSOCIATION
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Year Ended December 31, 2022

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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, 2022, 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, 2022, and the results of its operations and 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 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.

Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unqualified opinion on those financial statements on May 31, 2022.

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 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.

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Independent Auditor's Report to the To the Members of Food Banks Alberta Association *(continued)*

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.

King + Company

Edmonton, AB
May 4, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

FOOD BANKS ALBERTA ASSOCIATION
Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash (Note 2)	\$ 1,096,698	\$ 1,771,592
Short-term investments (Note 3)	178,873	230,553
Accounts receivable (Note 4)	195,709	11,702
Inventory	128,868	58,301
Prepaid expenses	60,059	77,730
	<u>1,660,207</u>	<u>2,149,878</u>
CAPITAL ASSETS (Note 5)	<u>455,413</u>	<u>302,313</u>
	<u>\$ 2,115,620</u>	<u>\$ 2,452,191</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 88,557	\$ 90,633
Deferred contributions related to operations (Note 6)	65,000	370,786
	<u>153,557</u>	<u>461,419</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)	<u>175,186</u>	<u>-</u>
	<u>328,743</u>	<u>461,419</u>
NET ASSETS		
General fund	777,440	400,282
Internally restricted operating fund	534,826	580,935
Other internally restricted funds (Schedule 1)	474,611	1,009,555
	<u>1,786,877</u>	<u>1,990,772</u>
	<u>\$ 2,115,620</u>	<u>\$ 2,452,191</u>

ON BEHALF OF THE BOARD

Cory Rianson Director
[Signature] Director

FOOD BANKS ALBERTA ASSOCIATION

Statement of Operations

Year Ended December 31, 2022

	General Fund	Internally Restricted Funds	2022	2021
REVENUE				
Food donations in-kind <i>(Note 8)</i>	\$ 4,446,906	\$ -	\$ 4,446,906	\$ 3,042,315
Donations	1,014,583	-	1,014,583	355,183
Grants <i>(Note 6)</i>	319,278	-	319,278	898,531
Other	47,363	-	47,363	333,084
Amortization of deferred contributions related to capital assets <i>(Note 7)</i>	19,814	-	19,814	-
Interest	2,495	9,554	12,049	6,436
Membership fees	11,914	-	11,914	10,550
COVID-19	-	-	-	325,774
Overstated distributions from previous year	-	-	-	23,438
	<u>5,862,353</u>	<u>9,554</u>	<u>5,871,907</u>	<u>4,995,311</u>
EXPENSES				
Food donations in-kind <i>(Note 8)</i>	4,446,906	-	4,446,906	3,042,315
Logistics <i>(Note 9)</i>	654,357	-	654,357	591,286
Member services and support	202,050	125,448	327,498	571,873
Food purchases	288,640	-	288,640	317,296
Administration	106,721	-	106,721	38,459
Professional fees	102,381	-	102,381	121,769
Amortization of capital assets	85,871	-	85,871	40,512
Advertising and promotion	43,841	-	43,841	52,068
Insurance	19,587	-	19,587	11,346
COVID-19	-	-	-	98,209
	<u>5,950,354</u>	<u>125,448</u>	<u>6,075,802</u>	<u>4,885,133</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (88,001)</u>	<u>\$ (115,894)</u>	<u>\$ (203,895)</u>	<u>\$ 110,178</u>

FOOD BANKS ALBERTA ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2022

	General Fund	Internally Restricted Operating Fund	Other Internally Restricted Funds	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 400,282	\$ 580,935	\$ 1,009,555	\$ 1,990,772	\$ 1,880,594
Excess (deficiency) of revenue over expenses	(88,001)	4,398	(120,292)	(203,895)	110,178
Transfers	465,159	(50,507)	(414,652)	-	-
NET ASSETS - END OF YEAR	<u>\$ 777,440</u>	<u>\$ 534,826</u>	<u>\$ 474,611</u>	<u>\$ 1,786,877</u>	<u>\$ 1,990,772</u>

FOOD BANKS ALBERTA ASSOCIATION**Statement of Cash Flows****Year Ended December 31, 2022**

	2022	2021
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (203,895)	\$ 110,178
Item not affecting cash:		
Amortization of capital assets	<u>85,873</u>	40,512
	<u>(118,022)</u>	150,690
Changes in non-cash working capital:		
Accounts receivable	(184,009)	(4,931)
Prepaid expenses	17,671	(51,239)
Inventory	(70,567)	184,264
Accounts payable and accrued liabilities	(2,074)	(576,302)
Deferred contributions related to operations	(305,786)	127,848
Deferred contributions related to capital assets	<u>175,186</u>	-
	<u>(369,579)</u>	(320,360)
Cash flow used by operating activities	<u>(487,601)</u>	(169,670)
INVESTING ACTIVITIES		
Disposal of short-term investments, net	51,679	547,298
Purchase of capital assets	<u>(238,972)</u>	(275,529)
Cash flow from (used by) investing activities	<u>(187,293)</u>	271,769
INCREASE (DECREASE) IN CASH	(674,894)	102,099
CASH - BEGINNING OF YEAR	<u>1,771,592</u>	1,669,493
CASH - END OF YEAR	<u>\$ 1,096,698</u>	<u>\$ 1,771,592</u>

FOOD BANKS ALBERTA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

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.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

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 Fund:

Operating reserve - established by the Board to cover six months 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.

Transportation reserve — The Board created this reserve fund in 2021 to pay for any unexpected costs associated with the transportation of food and food related items to Alberta food banks.

Bulk Food reserve — The Board created this reserve fund in 2021 to ensure funds are available to assist with any gaps in reimbursing member food banks for their purchase of food items in bulk.

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FOOD BANKS ALBERTA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 fund. 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 \$3.21 (2021 - \$2.62) 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 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.

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.

Cash

Cash is comprised of cash held in financial institutions.

Capital Assets

Capital assets are stated at cost or deemed 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
Leasehold improvements	5 years	straight-line method

The Association regularly reviews its capital assets to eliminate obsolete items.

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FOOD BANKS ALBERTA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial Instruments

Initial Measurement

The Association initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Association is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Association in the transaction.

Subsequent Measurement

The Association subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in earnings in the period incurred.

Financial assets measured at amortized cost using the straight-line method include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost using the straight-line method include accounts payable and accrued liabilities.

Transaction Costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in earnings in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in earnings over the life of the instrument using the straight-line method.

Impairment

For financial assets measured at cost or amortized cost, the Association determines whether there are indications of possible impairment. When there are, and the Association determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in earnings. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in earnings.

FOOD BANKS ALBERTA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

2. CASH AND CASH EQUIVALENTS

Cash is restricted for the following:

	<u>2022</u>	<u>2021</u>
Servus - Restricted accounts	\$ 830,564	\$ 1,359,937
Servus - Unrestricted accounts	266,134	411,655
	<u>\$ 1,096,698</u>	<u>\$ 1,771,592</u>

3. SHORT-TERM INVESTMENTS

The term deposit is a guaranteed investment certificate bearing interest ranging from 1.20% to 2.75% (2021 - 0.25% to 0.65%) and mature between June 4, 2023 and July 1, 2023.

4. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Edmonton Oilers Community Foundation	\$ 113,738	\$ -
Donations	54,185	-
Goods and services tax	19,737	11,226
Expense recovery	6,629	-
Interest	1,420	476
	<u>\$ 195,709</u>	<u>\$ 11,702</u>

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Office equipment	\$ 11,177	\$ 4,111	\$ 7,066	\$ 8,833
Warehouse equipment	562,012	166,555	395,457	225,478
Leasehold improvements	75,558	22,668	52,890	68,002
	<u>\$ 648,747</u>	<u>\$ 193,334</u>	<u>\$ 455,413</u>	<u>\$ 302,313</u>

FOOD BANKS ALBERTA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

6. DEFERRED CONTRIBUTIONS RELATED TO OPERATIONS

Deferred contributions related to operations represent contributions received for specific purposes which have not yet been expended. Changes in the deferred contributions related to operations balance are as follows:

	2022	2021
Balance, beginning of year	\$ 370,786	\$ 242,938
Contributions received	208,492	1,026,379
Transfer to deferred contributions related to capital assets	(195,000)	-
Amount recognized as revenue during the year	(319,278)	(898,531)
Balance, end of year	<u>\$ 65,000</u>	<u>\$ 370,786</u>

The above is comprised of the following:

Food Banks Canada	\$ 65,000	\$ 139,286
Capacity Boost Hubs Fund	-	195,000
Other	-	36,500
	<u>\$ 65,000</u>	<u>\$ 370,786</u>

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

The Association's deferred contributions related to capital assets is compromised as follows:

	2022	2021
Balance, beginning of year	\$ -	\$ -
Transferred from deferred contributions related to operations	195,000	-
Recognized as revenue	(19,814)	-
Balance, end of year	<u>\$ 175,186</u>	<u>\$ -</u>

8. FOOD DONATIONS IN-KIND

The food donations are valued at an average price per pound of \$3.21 based on the Food Banks Canada national valuation standard or based on wholesale cost. In 2022, management estimates that approximately 1,385,629 pounds of food were received and distributed (2021 - 1,161,189 pounds at \$2.62 per pound) for a total value of \$4,446,906 (2021 - \$3,042,315).

9. ALLOCATION OF PAYROLL EXPENSES

The Association's salaries and benefits of \$398,707 (2021 - \$275,925) were allocated to logistics.

FOOD BANKS ALBERTA ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2022

10. COMMITMENTS

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

	<u>2022</u>
2023	187,106
2024	187,106
2025	187,106
Thereafter	<u>46,777</u>
	<u>\$ 608,095</u>

11. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2022.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association's financial instruments that are exposed to credit risk are primarily cash and accounts receivable. The Association maintains its cash and term deposits in a major financial institution. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of customers which minimizes concentration of credit risk.

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 funders and donors, and other related sources including accounts payable and accrued liabilities.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its term deposits.

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

FOOD BANKS ALBERTA ASSOCIATION

Other Internally Restricted Net Assets

(Schedule 1)

Year Ended December 31, 2022

	Disaster Relief	Food	Egg	Capital	Rural Assistance	Transportation	Bulk Food Purchase	2022	2021
Balance, beginning of year	\$ 484,664	\$ 148,573	\$ 46,279	\$ 27,692	\$ 56,650	\$ 211,760	\$ 33,937	\$ 1,009,555	\$ 635,158
Excess (deficiency) of revenue over expenses	(75,229)	1,293	111	48	(27,436)	(13,000)	(6,079)	(120,292)	(170,851)
Transfers	(374,956)	(2,290)	(17,091)	(7,000)	-	(13,315)	-	(414,652)	545,248
Balance, end of year	\$ 34,479	\$ 147,576	\$ 29,299	\$ 20,740	\$ 29,214	\$ 185,445	\$ 27,858	\$ 474,611	\$ 1,009,555