

PARKLAND FOOD BANK SOCIETY

Financial Statements

Year Ended December 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Members of Parkland Food Bank Society

Qualified Opinion

We have audited the financial statements of Parkland Food Bank Society (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and the results of its 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

In common with many not-for-profit organizations, the Society derives revenue from donations and donated food 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 the Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations and donated food revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, and 2017 current assets and net assets as at December 31, 2018 and 2017. The predecessor auditors' opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

The financial statements of Parkland Food Bank Society for the year ended December 31, 2017 were audited by another auditor who expressed a qualified opinion on those financial statements on March 27, 2018 for the reasons described in the Basis for Qualified Opinion paragraph.

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 relating 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.

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Independent Auditor's Report to the Members of Parkland Food Bank Society *(continued)*

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.

Edmonton, Alberta
March 25, 2019

KBH
Chartered Accountants

PARKLAND FOOD BANK SOCIETY
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 215,975	\$ 375,439
Guaranteed investment certificates <i>(Note 4)</i>	103,403	-
Accounts receivable	22,950	19,426
Goods and services tax recoverable	3,704	2,406
Prepaid expenses	5,491	3,164
	351,523	400,435
GUARANTEED INVESTMENT CERTIFICATES <i>(Note 4)</i>	100,000	-
CAPITAL ASSETS <i>(Note 5)</i>	522,900	550,054
	\$ 974,423	\$ 950,489
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 10,840	\$ 48,935
DEFERRED CONTRIBUTIONS <i>(Note 6)</i>	355,862	378,669
	366,702	427,604
NET ASSETS		
Unrestricted net assets	309,844	320,659
Restricted net assets <i>(Note 7)</i>	130,000	30,000
Invested in capital assets	167,877	172,226
	607,721	522,885
	\$ 974,423	\$ 950,489

SUBSEQUENT EVENT *(Note 10)*

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

PARKLAND FOOD BANK SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2018

	2018	2017
REVENUES		
Food donations in kind <i>(Note 8)</i>	\$ 1,748,222	\$ 1,463,371
Donations <i>(Note 9)</i>	284,982	300,582
Government grants	25,475	42,208
Fundraising	60,839	32,335
Amortization of deferred contributions <i>(Note 6)</i>	22,807	24,625
Other income	68	258
Interest income	3,483	128
	<u>2,145,876</u>	<u>1,863,507</u>
EXPENSES		
Amortization	43,133	51,112
Automotive	5,726	7,948
Food donations in kind <i>(Note 8)</i>	1,748,222	1,463,371
Fundraising	6,695	5,111
Insurance	7,396	7,030
Office	8,614	13,087
Professional fees	7,070	11,070
Repairs and maintenance	24,717	2,829
Salaries and wages	127,824	102,618
Supplies	56,667	56,445
Telephone	1,443	1,544
Utilities	14,252	9,642
Volunteer appreciation	3,839	3,293
Waste removal	5,442	5,365
	<u>2,061,040</u>	<u>1,740,465</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 84,836</u>	<u>\$ 123,042</u>

PARKLAND FOOD BANK SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Unrestricted Net Assets	Restricted Net Assets	Invested in Capital Assets	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 320,659	\$ 30,000	\$ 172,226	\$ 522,885	\$ 399,843
Excess (deficiency) of revenues over expenses	105,162	-	(20,326)	84,836	123,042
Interfund transfers	(115,977)	100,000	15,977	-	-
NET ASSETS - END OF YEAR	\$ 309,844	\$ 130,000	\$ 167,877	\$ 607,721	\$ 522,885

PARKLAND FOOD BANK SOCIETY

Statement of Cash Flows

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 84,836	\$ 123,042
Items not affecting cash:		
Amortization of capital assets	43,133	51,112
Amortization of deferred contributions	(22,807)	(24,625)
	<u>105,162</u>	<u>149,529</u>
Changes in non-cash working capital:		
Accounts receivable	(3,524)	(18,993)
Goods and services tax recoverable	(1,298)	525
Prepaid expenses	(2,327)	1,633
Accounts payable and accrued liabilities	(38,097)	26,498
	<u>(45,246)</u>	<u>9,663</u>
Cash flow from operating activities	<u>59,916</u>	<u>159,192</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(15,977)	(66,611)
Purchase of guaranteed investment certificates	(203,403)	-
Cash flow used by investing activities	<u>(219,380)</u>	<u>(66,611)</u>
FINANCING ACTIVITY		
Deferred contributions received	-	61,245
INCREASE (DECREASE) IN CASH FLOW	<u>(159,464)</u>	<u>153,826</u>
Cash - beginning of year	<u>375,439</u>	<u>221,613</u>
CASH - END OF YEAR	<u>\$ 215,975</u>	<u>\$ 375,439</u>

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

1. PURPOSE OF THE SOCIETY

Parkland Food Bank Society (the "Society") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta on January 1, 1986. As a registered charity the Society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The principal activity of the Society is to be a steward in the collection of surplus and donated food for the effective distribution, free of charge, to people in need in the community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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 revenues 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 policy

Measurement

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity subsequently measures all its financial assets and financial liabilities at 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 net income. Financial assets measured at amortized cost include cash, guaranteed investment certificates and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is 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 net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Buildings	4%	declining balance method
Warehouse equipment	30%	declining balance method
Automotive equipment	30%	declining balance method
Computer software	30%	declining balance method
Computer hardware	55%	declining balance method
Furniture and fixtures	20%	declining balance method

In the year of purchase, amortization on capital assets is pro-rated based on acquisition date. The society regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Food and inventory

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

Revenue recognition

Parkland Food Bank Society follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount can be reasonably assured.

Externally restricted contributions are initially deferred and then recognized as revenue in the year the related expenses are incurred.

Donated capital assets and capital contributions received are initially deferred and recognized as revenue on the same basis as the related amortization expense.

Food donations in kind are recorded at \$5.7 per kilogram based on the Food Banks Canada national valuation standard.

Interest and other income is recognized in the period when received or receivable.

Donated services and rent

Volunteers and board members contribute significant time to assist the Society in carrying out its activities during the year. The land that the Society has its building on is owned by the City of Spruce Grove and is donated to the Society at a nil cost per year. Due to the difficulty of determining their fair value, contributed services and rent are not recognized in these statements.

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

3. FINANCIAL INSTRUMENTS

The entity is exposed to various risks through its financial instruments. The following analysis provides information about the entity's risk exposure and concentration as of December 31, 2018.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its obligations associated with financial liabilities. Cash flow is dependant on donations. As such, there is a risk that the community will not donate sufficient cash to meet the society's obligations. This risk is mitigated as the society can reduce distributions during times with low donations.

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 society manages exposure through low risk investments. The society is exposed to interest rate risk through its guaranteed investment certificates.

4. GUARANTEED INVESTMENT CERTIFICATES

The guaranteed investment certificates bear interest at rates ranging from 1.4% to 2.05%, maturing on dates between January 5, 2019 and January 5, 2020.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value
Buildings	\$ 603,214	\$ 144,202	\$ 459,012
Warehouse equipment	147,848	106,803	41,045
Automotive equipment	81,951	62,217	19,734
Computer equipment	6,245	5,013	1,232
Computer software	2,624	1,994	630
Furniture and fixtures	4,244	2,997	1,247
	\$ 846,126	\$ 323,226	\$ 522,900

	Cost	Accumulated amortization	2017 Net book value
Buildings	\$ 598,427	\$ 126,386	\$ 472,041
Warehouse equipment	139,286	91,047	48,239
Automotive equipment	81,951	53,760	28,191
Computer equipment	4,898	4,331	567
Computer software	2,624	1,724	900
Furniture and fixtures	2,962	2,846	116
	\$ 830,148	\$ 280,094	\$ 550,054

The land that the building is on is owned by the City of Spruce Grove and the associated lease is donated to the Society at a no cost. The lease expires December 31, 2029.

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted contributions for the purchase of capital assets. The change in the deferred contributions balance for the year is as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 378,669	\$ 342,049
Contributions	-	61,245
Amounts amortized to revenue	<u>(22,807)</u>	<u>(24,625)</u>
	<u>\$ 355,862</u>	<u>\$ 378,669</u>

7. RESTRICTED NET ASSETS

The Board of Directors has designated funds of \$130,000 (2017 - \$30,000) as restricted net assets. The restricted net assets consists of operating reserves of \$20,000 (2017 - \$20,000) and capital asset replacement reserves of \$110,000 (2017 - \$10,000). In 2018 the council approved transfers of \$100,000 (2017 - \$nil) from the unrestricted fund to this fund.

8. FOOD DONATIONS IN KIND

Contributions of materials and services are recognized when a fair value can be reasonably estimated and when materials and services are used in the normal course of the association's operations and would otherwise have been purchased.

The food donations are valued at an average price per kilogram of \$5.70 based on the Food Banks of Canada national valuation standard. In 2018, management estimated that approximately 306,706 kilograms of food was received and distributed (2017 - 266,067 kilograms at a rate of \$5.5 per kilogram) for a total value of \$1,748,222 (2017 - \$1,463,371).

9. DONATIONS

Donations revenue included in the statement of revenues and expenditures are comprised as follows:

	<u>2018</u>	<u>2017</u>
Businesses	\$ 115,296	\$ 86,461
Individuals	101,039	76,850
Other agencies	25,919	56,700
Group of individuals	10,206	54,769
Service groups	27,125	17,931
Churches	<u>5,397</u>	<u>7,872</u>
	<u>\$ 284,982</u>	<u>\$ 300,583</u>

10. SUBSEQUENT EVENT

Subsequent to year end the Society has been approved for a grant totaling \$75,000 restricted for staffing and board development.
