

PARKLAND FOOD BANK SOCIETY

Financial Statements

Year Ended December 31, 2020



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, 2020, 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, 2020, 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 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, 2020, and 2019, current assets and net assets as at January 1 and December 31 for both 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

(continues)

Independent Auditor's Report to the Members of Parkland Food Bank Society *(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 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
May 5, 2021

KBH

Chartered Professional Accountants

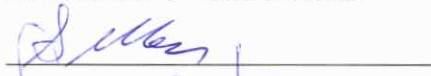
PARKLAND FOOD BANK SOCIETY

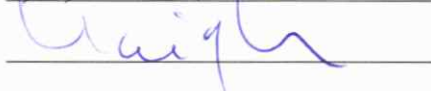
Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 718,521	\$ 258,275
Restricted cash	-	16,395
Guaranteed investment certificates (Note 4)	259,729	354,803
Accounts receivable	133,324	56,714
Goods and services tax recoverable	3,976	6,069
Prepaid expenses	23,730	3,183
	<u>1,139,280</u>	<u>695,439</u>
GUARANTEED INVESTMENT CERTIFICATES (Note 4)	150,839	-
CAPITAL ASSETS (Note 5)	<u>520,138</u>	<u>515,991</u>
	<u>\$ 1,810,257</u>	<u>\$ 1,211,430</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 14,950	\$ 11,417
Deferred revenue	-	16,395
	<u>14,950</u>	<u>27,812</u>
DEFERRED CONTRIBUTIONS (Note 7)	<u>333,762</u>	<u>336,266</u>
	<u>348,712</u>	<u>364,078</u>
NET ASSETS		
Unrestricted net assets	274,327	516,787
Restricted net assets (Note 8)	1,000,000	150,000
Invested in capital assets	187,218	180,565
	<u>1,461,545</u>	<u>847,352</u>
	<u>\$ 1,810,257</u>	<u>\$ 1,211,430</u>

ON BEHALF OF THE BOARD

 Director

 Director

PARKLAND FOOD BANK SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2020

	2020	2019
REVENUES		
Food donations in kind <i>(Note 9)</i>	\$ 2,159,902	\$ 2,136,744
Donations <i>(Note 10)</i>	886,073	389,069
Government grants	95,100	80,310
Fundraising	51,294	67,388
Amortization of deferred contributions <i>(Note 7)</i>	23,504	19,597
Interest income	14,024	1,524
	<u>3,229,897</u>	<u>2,694,632</u>
EXPENSES		
Amortization	38,763	38,912
Automotive	10,162	5,001
Food donations in kind <i>(Note 9)</i>	2,159,902	2,136,744
Fundraising	3,034	7,660
Insurance	9,132	8,449
Office	33,863	13,119
Professional fees	7,968	7,830
Repairs and maintenance	10,426	5,363
Salaries and wages	194,332	142,345
Supplies	120,662	66,470
Telephone	1,924	1,438
Utilities	15,472	15,902
Volunteer appreciation	3,995	587
Waste removal	6,069	5,181
	<u>2,615,704</u>	<u>2,455,001</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 614,193</u>	<u>\$ 239,631</u>

PARKLAND FOOD BANK SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2020

	Unrestricted Net	Restricted Net	Invested in		
	Assets	Assets	Capital Assets	2020	2019
		(Note 8)			
NET ASSETS -					
 BEGINNING OF					
 YEAR	\$ 516,787	\$ 150,000	\$ 180,565	\$ 847,352	\$ 607,721
Excess (deficiency) of					
revenues over expenses	629,452	-	(15,259)	614,193	239,631
Interfund transfers	(871,912)	850,000	21,912	-	-
NET ASSETS - END OF					
 YEAR	\$ 274,327	\$ 1,000,000	\$ 187,218	\$ 1,461,545	\$ 847,352

PARKLAND FOOD BANK SOCIETY

Statement of Cash Flows

Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 614,193	\$ 239,631
Items not affecting cash:		
Amortization of capital assets	38,763	38,912
Amortization of deferred contributions	<u>(23,504)</u>	<u>(19,597)</u>
	<u>629,452</u>	<u>258,946</u>
Changes in non-cash working capital:		
Accounts receivable	(76,610)	(33,764)
Goods and services tax recoverable	2,093	(2,365)
Prepaid expenses	(20,547)	2,308
Accounts payable and accrued liabilities	3,535	578
Deferred revenue	<u>(16,395)</u>	<u>16,395</u>
	<u>(107,924)</u>	<u>(16,848)</u>
Cash flow from operating activities	<u>521,528</u>	<u>242,098</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(42,912)	(32,003)
Purchase of guaranteed investment certificates	<u>(55,765)</u>	<u>(151,400)</u>
Cash flow used by investing activities	<u>(98,677)</u>	<u>(183,403)</u>
FINANCING ACTIVITY		
Deferred contributions received	<u>21,000</u>	<u>-</u>
INCREASE IN CASH FLOW	443,851	58,695
Cash - beginning of year	<u>274,670</u>	<u>215,975</u>
CASH - END OF YEAR	\$ 718,521	\$ 274,670
CASH CONSISTS OF:		
Cash	\$ 718,521	\$ 258,275
Restricted cash	<u>-</u>	<u>16,395</u>
	<u>\$ 718,521</u>	<u>\$ 274,670</u>

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

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 private enterprises 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. In addition, the impact of the COVID-19 pandemic has increased the challenges encountered throughout the estimation process. 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.

Estimates made by management include the useful lives of tangible capital assets and the collectibility of accounts receivable.

Financial instruments

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. 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.

(continues)

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

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.

Long-lived Assets

Long-lived assets consist of land. Long-lived assets held for use are measured as described in the above accounting policy.

An impairment loss is recognized when an asset no longer has any long-term service potential to the Society. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its residual value.

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 \$5.70 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, 2020

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, 2020.

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 include accrued interest, bear interest at rates ranging from 0.50% to 2.05%, and mature between July 2021 and January 2022.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value
Buildings	\$ 640,508	\$ 182,019	\$ 458,489
Warehouse equipment	159,664	130,343	29,321
Automotive equipment	103,808	75,560	28,248
Computer equipment	9,138	6,791	2,347
Computer software	3,677	2,742	935
Furniture and fixtures	4,244	3,446	798
	<u>\$ 921,039</u>	<u>\$ 400,901</u>	<u>\$ 520,138</u>

	Cost	Accumulated amortization	2019 Net book value
Buildings	\$ 630,889	\$ 163,116	\$ 467,773
Warehouse equipment	151,123	119,608	31,515
Automotive equipment	81,951	68,137	13,814
Computer equipment	6,245	5,690	555
Computer software	3,677	2,341	1,336
Furniture and fixtures	4,244	3,246	998
	<u>\$ 878,129</u>	<u>\$ 362,138</u>	<u>\$ 515,991</u>

The land that the building is on is owned by the City of Spruce Grove and the associated lease was being 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, 2020

6. DEFERRED REVENUE

Deferred revenue represents amounts received for which the specific expenditures have not been incurred. The amounts will be recognized as revenue when the specific expenditures are incurred.

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$ 16,395	\$ -
Contributions received	99,705	96,705
Contributions transferred to deferred contributions	(21,000)	-
Contributions recognized as revenue	<u>(95,100)</u>	<u>(80,310)</u>
Balance at end of year	<u>\$ -</u>	<u>\$ 16,395</u>

7. 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>2020</u>	<u>2019</u>
Balance, beginning of the year	\$ 336,266	\$ 355,863
Contributions	21,000	-
Amounts amortized to revenue	<u>(23,504)</u>	<u>(19,597)</u>
	<u>\$ 333,762</u>	<u>\$ 336,266</u>

8. RESTRICTED NET ASSETS

The Board of Directors has designated funds of \$1,000,000 (2019 - \$150,000) as restricted net assets. The restricted net assets consists of operating reserves of \$200,000 (2019 - \$20,000) and capital asset replacement reserves of \$800,000 (2019 - \$130,000). In 2020 the council approved transfers of \$850,000 (2019 - \$20,000) from the unrestricted fund to this fund.

9. 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 Society'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 2020, management estimated that approximately 378,930 kilograms of food was received and distributed (2019 - 374,867 kilograms at a rate of \$5.70 per kilogram) for a total value of \$2,159,902 (2019 - \$2,136,744).

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

10. DONATIONS

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

	<u>2020</u>	<u>2019</u>
Businesses	\$ 247,599	\$ 141,663
Individuals	414,629	118,074
Other agencies	<u>223,845</u>	<u>129,332</u>
	<u>\$ 886,073</u>	<u>\$ 389,069</u>

11. IMPACT OF COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. The Canadian Federal and Provincial governments enacted emergency measures to combat the spread of the virus.

The Society continues to monitor and respond to the effects COVID-19 has had on its business activities while taking into consideration the most recent emergency measures announced in Alberta and Canada. The impact of the ongoing pandemic and the duration of this impact on the activities of the Society including demand for services, revenues and expenditures is unknown.
