

PARKLAND FOOD BANK SOCIETY

Financial Statements

Year Ended December 31, 2022



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, 2022, 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, 2022, 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, fundraising 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, fundraising and donated food revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets and net assets as at January 1 and December 31 for both 2022 and 2021. Our audit opinion on the financial statements for the year ended December 31, 2021 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.

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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 16, 2023



Chartered Professional Accountants

PARKLAND FOOD BANK SOCIETY

Statement of Financial Position

December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 1,822,802	\$ 1,128,926
Guaranteed investment certificates <i>(Note 4)</i>	410,568	410,568
Accounts receivable	98,292	93,338
Goods and services tax recoverable	5,410	8,026
Prepaid expenses	16,830	24,212
	2,353,902	1,665,070
CAPITAL ASSETS <i>(Note 5)</i>	531,278	539,135
	\$ 2,885,180	\$ 2,204,205
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 9,154	\$ 52,710
Deferred revenue <i>(Note 6)</i>	108,143	-
	117,297	52,710
DEFERRED CONTRIBUTIONS <i>(Note 7)</i>	296,889	313,962
	414,186	366,672
NET ASSETS		
Unrestricted net assets	1,235,761	611,518
Restricted net assets <i>(Note 8)</i>	1,000,000	1,000,000
Invested in capital assets	235,233	226,015
	2,470,994	1,837,533
	\$ 2,885,180	\$ 2,204,205

ON BEHALF OF THE BOARD

_____*Director*

_____*Director*

PARKLAND FOOD BANK SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2022

	2022	2021
REVENUES		
Food donations in kind <i>(Note 9)</i>	\$ 2,416,064	\$ 2,569,999
Donations <i>(Note 10)</i>	1,191,928	769,616
Government grants	36,197	76,314
Fundraising	135,507	79,672
Amortization of deferred contributions <i>(Note 7)</i>	17,073	19,800
Interest income	6,757	5,139
	<u>3,803,526</u>	<u>3,520,540</u>
EXPENSES		
Amortization	37,193	40,390
Automotive	11,808	9,762
Food donations in kind <i>(Note 9)</i>	2,416,064	2,569,999
Fundraising	17,261	9,638
Insurance	24,166	10,482
Office	29,523	24,190
Professional fees	14,098	8,138
Repairs and maintenance	13,021	18,504
Rent	15,580	-
Salaries and wages	330,322	277,457
Supplies	230,959	146,560
Telephone	4,771	3,612
Utilities	14,756	15,427
Volunteer appreciation	2,048	398
Waste removal	8,495	9,995
	<u>3,170,065</u>	<u>3,144,552</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ 633,461</u></u>	<u><u>\$ 375,988</u></u>

PARKLAND FOOD BANK SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2022

	Unrestricted Net Assets	Restricted Net Assets (Note 9)	Invested in Capital Assets	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 611,518	\$ 1,000,000	\$ 226,015	\$ 1,837,533	\$ 1,461,545
Excess (deficiency) of revenues over expenses	653,581	-	(20,120)	633,461	375,988
Interfund transfers	(29,338)	-	29,338	-	-
NET ASSETS - END OF YEAR	\$ 1,235,761	\$ 1,000,000	\$ 235,233	\$ 2,470,994	\$ 1,837,533

PARKLAND FOOD BANK SOCIETY**Statement of Cash Flows**
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 633,461	\$ 375,988
Items not affecting cash:		
Amortization of capital assets	37,193	40,390
Amortization of deferred contributions	(17,073)	(19,800)
	<u>653,581</u>	<u>396,578</u>
Changes in non-cash working capital:		
Accounts receivable	(4,954)	39,986
Goods and services tax recoverable	2,616	(4,050)
Prepaid expenses	7,382	(482)
Accounts payable and accrued liabilities	(43,554)	37,760
Deferred revenue	108,143	-
	<u>69,633</u>	<u>73,214</u>
Cash flow from operating activities	<u>723,214</u>	<u>469,792</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(29,338)</u>	<u>(59,387)</u>
INCREASE IN CASH FLOW	693,876	410,405
Cash - beginning of year	<u>1,128,926</u>	<u>718,521</u>
CASH - END OF YEAR	<u>\$ 1,822,802</u>	<u>\$ 1,128,926</u>

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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 value of gifts in-kind.

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.

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PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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 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.

When a long-lived asset no longer contributes to the Society's ability to provide services, the net carrying amount is written down to the asset's fair value or replacement cost. The write-downs of long lived assets are accounted for as expenses in the statement of operations. A write-down is not reversed.

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, 2022

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, 2022.

Liquidity risk

Liquidity risk is the risk that the society 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 1.20% to 3.60%, and mature between February 2023 and August 2023.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value
Buildings	\$ 703,135	\$ 218,268	\$ 484,867
Warehouse equipment	170,177	148,047	22,130
Automotive equipment	103,808	89,967	13,841
Computer equipment	17,182	12,197	4,985
Computer software	11,216	6,272	4,944
Furniture and fixtures	4,244	3,733	511
	\$ 1,009,762	\$ 478,484	\$ 531,278

	Cost	Accumulated amortization	2021 Net book value
Buildings	\$ 684,438	\$ 200,674	\$ 483,764
Warehouse equipment	164,265	139,830	24,435
Automotive equipment	103,808	84,035	19,773
Computer equipment	12,454	8,993	3,461
Computer software	11,216	4,153	7,063
Furniture and fixtures	4,244	3,605	639
	\$ 980,425	\$ 441,290	\$ 539,135

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 no cost. The lease expires December 31, 2029.

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

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>2022</u>
Balance at beginning of the year	\$ -
Contributions received	131,630
Recognized as revenue	<u>(23,487)</u>
Balance at end of year	<u>\$ 108,143</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>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 313,962	\$ 333,762
Contributions	-	-
Amounts amortized to revenue	<u>(17,073)</u>	<u>(19,800)</u>
	<u>\$ 296,889</u>	<u>\$ 313,962</u>

8. RESTRICTED NET ASSETS

The Board of Directors has designated funds of \$1,000,000 (2021 - \$1,000,000) as restricted net assets. The restricted net assets consists of operating reserves of \$200,000 (2021 - \$200,000) and capital asset replacement reserves of \$800,000 (2021 - \$800,000). In 2022 the council approved transfers of \$nil (2021 - \$nil) 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 2022, management estimated that approximately 423,871 kilograms of food was received and distributed (2021 - 450,877 kilograms at a rate of \$5.70 per kilogram) for a total value of \$2,416,064 (2021 - \$2,569,999).

PARKLAND FOOD BANK SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

10. DONATIONS

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

	<u>2022</u>	<u>2021</u>
Businesses	\$ 589,047	\$ 248,025
Individuals	420,947	306,924
Other agencies	<u>181,934</u>	<u>214,667</u>
	<u>\$ 1,191,928</u>	<u>\$ 769,616</u>
