

Financial Statements

**Calgary Inter-Faith Food Bank Society**  
August 31, 2014



# INDEPENDENT AUDITORS' REPORT

To the Members of  
**Calgary Inter-Faith Food Bank Society**

We have audited the accompanying financial statements of **Calgary Inter-Faith Food Bank Society** [the "Society"], which comprise the statements of financial position as at August 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility 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.

## **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Qualified Opinion**

The Society derives revenue from food donations in-kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments for unrecorded food donations in-kind revenue might be necessary to revenues.



**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2014 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.

Calgary, Canada,  
October 28, 2014.

*Ernst + Young LLP*

Chartered Accountants

## Calgary Inter-Faith Food Bank Society

### STATEMENT OF FINANCIAL POSITION

As at August 31

	2014	2013
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	714,277	2,844,340
Short-term investments <i>[note 3]</i>	934,257	1,298,228
Accounts receivable <i>[note 12]</i>	63,719	27,367
Prepaid expenses and other assets	167,992	76,408
<b>Total current assets</b>	<b>1,880,245</b>	<b>4,246,343</b>
Investments <i>[note 3]</i>	1,350,309	816,175
Property, plant and equipment, net <i>[note 4]</i>	5,721,307	5,685,658
	<b>8,951,861</b>	<b>10,748,176</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	329,673	206,624
Current portion of loan facility <i>[note 7]</i>	—	85,000
Deferred operating contributions <i>[note 5]</i>	15,368	134,721
<b>Total current liabilities</b>	<b>345,041</b>	<b>426,345</b>
Deferred capital contributions <i>[note 6]</i>	167,754	232,110
Loan facility <i>[note 7]</i>	—	1,219,882
<b>Total liabilities</b>	<b>512,795</b>	<b>1,878,337</b>
<b>Net assets</b>		
Unrestricted	1,509,863	2,130,816
Internally restricted <i>[note 8]</i>	6,929,203	6,739,023
<b>Total net assets</b>	<b>8,439,066</b>	<b>8,869,839</b>
	<b>8,951,861</b>	<b>10,748,176</b>

See accompanying notes



## Calgary Inter-Faith Food Bank Society

### STATEMENT OF CHANGES IN NET ASSETS

Year ended August 31

	Unrestricted	Internally restricted	2014
	\$	\$	\$
<b>Net assets, beginning of year</b>	<b>2,130,816</b>	<b>6,739,023</b>	<b>8,869,839</b>
Deficiency of revenue less than expenses	(430,773)	—	(430,773)
Contributions to Legacy Fund	(19,852)	19,852	—
Investment in property, plant and equipment	(170,328)	170,328	—
<b>Net assets, end of year</b>	<b>1,509,863</b>	<b>6,929,203</b>	<b>8,439,066</b>
	\$	\$	\$
<b>Net assets, beginning of year</b>	829,990	6,521,048	7,351,038
Excess of revenue over expenses	1,518,801	—	1,518,801
Contributions to legacy fund	(75,596)	75,596	—
Investment in property, plant and equipment	(142,379)	142,379	—
<b>Net assets, end of year</b>	<b>2,130,816</b>	<b>6,739,023</b>	<b>8,869,839</b>

*See accompanying notes*



## Calgary Inter-Faith Food Bank Society

### STATEMENT OF OPERATIONS

Year ended August 31

	2014	2013
	\$	\$
<b>REVENUE</b>		
Contributions	6,230,763	7,111,381
Food donations-in-kind <i>[note 10]</i>	31,229,434	29,288,117
Non-food donations-in-kind	325,532	133,051
City of Calgary grant	36,121	72,243
Investment income	118,171	88,379
Other	203,563	48,123
	<b>38,143,584</b>	<b>36,741,294</b>
<b>EXPENSES</b>		
Food donation-in-kind <i>[note 10]</i>	31,229,434	29,288,117
Non-food donations-in-kind	325,532	133,051
Food purchases	1,122,668	907,162
Administration and finance	966,614	829,081
Operating costs <i>[note 9]</i>	3,988,022	3,297,536
Client services	505,694	381,238
Development and fundraising	39,992	53,418
Communications and resource development	98,395	69,216
Interest on loan facility <i>[note 7]</i>	24,050	40,190
	<b>38,300,401</b>	<b>34,999,009</b>
Excess (deficiency) of revenue over expenses before the following	<b>(156,817)</b>	<b>1,742,285</b>
Amortization of deferred capital contributions <i>[note 6]</i>	<b>75,154</b>	<b>88,526</b>
Amortization	<b>(349,110)</b>	<b>(312,010)</b>
	<b>(273,956)</b>	<b>(223,484)</b>
<b>Excess (deficiency) of revenue over (less than) expenses</b>	<b>(430,773)</b>	<b>1,518,801</b>

*See accompanying notes*



## Calgary Inter-Faith Food Bank Society

### STATEMENT OF CASH FLOWS

Year ended August 31

	2014	2013
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over (less than) expenses	(430,773)	1,518,801
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	(75,154)	(88,526)
Amortization	349,110	312,010
	(156,817)	1,742,285
Net change in non-cash working capital balances related to operations <i>[note 11]</i>	(124,240)	170,866
<b>Cash provided by (used in) operating activities</b>	(281,057)	1,913,151
<b>INVESTING ACTIVITIES</b>		
Net increase in investments	(170,163)	(128,991)
Property, plant and equipment acquired	(384,759)	(416,643)
<b>Cash used in investing activities</b>	(554,922)	(545,634)
<b>FINANCING ACTIVITIES</b>		
Contributions restricted for purchase of property, plant and equipment	10,798	16,780
Repayment of loan facility	(1,304,882)	(247,261)
<b>Cash used in financing activities</b>	(1,294,084)	(230,481)
<b>Net increase (decrease) in cash during the year</b>	(2,130,063)	1,137,036
Cash and cash equivalents, beginning of year	2,844,340	1,707,304
<b>Cash and cash equivalents, end of year</b>	714,277	2,844,340

*See accompanying notes*



## Calgary Inter-Faith Food Bank Society

# NOTES TO FINANCIAL STATEMENTS

August 31, 2014

## 1. OPERATIONS

The Calgary Inter-Faith Food Bank Society [the "Society"] is registered under the Societies Act of the Province of Alberta and is a registered charity and as such is exempt from income tax and may issue tax deductible receipts to donors. The Society's function is the gathering and distribution of quality emergency food to those in need.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### [a] Basis of Presentation

The financial statements have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada ["CPA Canada"] Handbook – Accounting, which sets out generally accepted accounting principles ["GAAP"] for not-for-profit organizations in Canada. These financial statements have been prepared in accordance with GAAP and reflect the following significant accounting policies.

### [b] Revenue Recognition

The Society follows the deferral method of accounting for contributions, which includes grants and donations. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are initially deferred and then recognized as revenue in the year the related expenses are incurred. Donated property, plant and equipment and contributions received for the purchase of Property, plant and equipment is initially deferred and recognized as revenue on the same basis as the related amortization expense.

Donations received in kind are recorded at estimated fair market value at the date the donation is made. Food and non-food in-kind donations without a fair value assigned by the donor are recorded at \$2.00 and \$1.00 per pound, respectively based on average historical cost.

The work of the Society is dependent on the voluntary services of many members and others. Since these services are not normally purchased by the Society and because of the difficulty of determining their fair value, these voluntary services are not recognized in these financial statements.

Investment income (loss), which consists of interest, dividends, realized and unrealized gains and losses, are recognized in the statement of operations.



## Calgary Inter-Faith Food Bank Society

### NOTES TO FINANCIAL STATEMENTS

August 31, 2014

#### [c] Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than maturity purposes, in which case they are classed as investments.

#### [d] Property, plant and equipment

Property, plant and equipment are recorded at cost with amortization calculated on the straight-line method over the assets' estimated useful lives as follows:

##### **Tangible**

Coin machine	5 years
Automotive	6 years
Computer equipment	3 years
Forklifts	10 years
Telephone system	10 years
Other equipment	5 years
Building	25 years
Air conditioner	5 years
Batteries	5 years
Freezers and coolers	10 years
Mezzanine	10 years
HVAC	10 years
Carpet	5 years

##### **Intangible**

Computer Software	3 years
Network upgrade	5 years
Communication Portal	3 years
New Network Security	5 years

#### [e] Financial instruments

Short-term investments in pooled funds are carried at the latest reported values. Equities and fixed income securities are valued at the latest traded prices. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable, other assets and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost or amortized cost, net of any provisions for impairment.

## Calgary Inter-Faith Food Bank Society

### NOTES TO FINANCIAL STATEMENTS

August 31, 2014

#### 3. INVESTMENTS

Investments, all of which are recorded at fair value, are allocated as follows:

	<b>2014</b>	<b>2013</b>
	\$	\$
Cash held by investment managers	<b>8,198</b>	299,667
Fixed income investments	<b>127,765</b>	664,650
Mutual Fund investments	<b>659,563</b>	311,446
Canadian equities	<b>89,162</b>	21,467
US equities	<b>49,569</b>	998
<b>Total short-term investments</b>	<b>934,257</b>	1,298,228
<b>Total long-term fixed income investments</b>	<b>1,350,309</b>	816,175

Investments in pooled funds have been allocated among the asset classes based on the underlying investments held in the pooled funds. The fixed income investments had effective interest rates that ranged from 2.05 – 2.95% in 2014 [2013 – 2.40 – 2.90%].

Calgary Inter-Faith Food Bank Society

NOTES TO FINANCIAL STATEMENTS

August 31, 2014

4. PROPERTY, PLANT AND EQUIPMENT

	2014		2013	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value
<b>Tangible</b>				
Land	1,974,000	—	1,974,000	1,974,000
Building	3,297,586	386,884	2,910,702	3,043,587
Batteries	61,424	39,513	21,911	33,271
Automotive	822,748	681,802	140,946	196,488
Coin machine	5,810	5,230	580	1,744
Computer equipment	323,499	314,309	9,190	25,317
Forklifts	410,435	324,590	85,845	98,496
Freezers and coolers	292,675	272,596	20,079	—
Other equipment	217,203	174,616	42,587	18,044
Telephone system	133,596	69,525	64,071	56,375
Air conditioner	10,243	5,121	5,122	7,170
Mezzanine	96,855	8,238	88,617	32,254
HVAC	44,546	4,662	39,884	—
Carpet	26,038	2,604	23,434	—
	<b>7,716,658</b>	<b>2,289,690</b>	<b>5,426,968</b>	<b>5,486,746</b>
<b>Intangible</b>				
Computer software	306,908	271,247	35,661	72,821
Network upgrade	289,443	56,965	232,478	126,091
Communication Portal	7,148	1,192	5,956	—
New Network Security	22,493	2,249	20,244	—
	<b>625,992</b>	<b>331,653</b>	<b>294,339</b>	<b>198,912</b>
	<b>8,342,650</b>	<b>2,621,343</b>	<b>5,721,307</b>	<b>5,685,658</b>

## Calgary Inter-Faith Food Bank Society

### NOTES TO FINANCIAL STATEMENTS

August 31, 2014

#### 5. DEFERRED OPERATING CONTRIBUTIONS

Deferred operating contributions represent unspent externally restricted donations and grants. The changes in deferred operating contributions balance are as follows:

	2014	2013
	\$	\$
<b>Balance, beginning of year</b>	<b>134,721</b>	50,000
Donations received for food purchases	<b>199,777</b>	244,490
Donations received for flood relief	—	959,461
Amount recognized as revenue during the year	<b>(319,130)</b>	(1,119,230)
<b>Balance, end of year</b>	<b>15,368</b>	134,721

#### 6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of property, plant and equipment. The amortization of deferred capital contributions begins when the associated property, plant and equipment are put into use, and is recorded as revenue in the statement of operations. The total unspent externally restricted capital contributions is \$36,323 at August 31, 2014 [2013 - \$25,525]. Changes in the deferred capital contributions balance are as follows:

	2014	2013
	\$	\$
<b>Balance, beginning of year</b>	<b>232,110</b>	303,856
Contributions externally restricted for purchase of property, plant and equipment	<b>10,798</b>	16,780
Amortization of deferred capital contributions	<b>(75,154)</b>	(88,526)
<b>Balance, end of year</b>	<b>167,754</b>	232,110

## Calgary Inter-Faith Food Bank Society

### NOTES TO FINANCIAL STATEMENTS

August 31, 2014

#### 7. LOAN FACILITY

The Society has a non-revolving reducing loan facility with Alberta Treasury Branches ["ATB"] available to a maximum amount of \$3,592,750. An amount of \$1,700,000 was drawn on this facility in 2012. The loan facility is repayable over a 240 month term at monthly principal payments of \$7,083 and bears interest at the ATB prime lending rate plus 0.25% per annum payable monthly. A mortgage on the land and building has been provided as collateral.

During fiscal 2014, the Society repaid the entire loan facility outstanding of \$1,304,882. A total of \$24,050 [2013 - \$40,190] in interest was recorded in the year.

#### 8. INTERNALLY RESTRICTED NET ASSETS

The Board of Directors ["Board"] has established a Legacy Fund, the principal amount of which is reserved for the future benefit of the Society and may be drawn down only with the approval of the Board. Annual investment income earned on this fund, amounting to \$19,852 in fiscal 2014 [2013 - \$19,970] has been included in investment income in the statement of operations and transferred into the Legacy Fund.

The Capital Replacement Reserve represents management's recognition that the future capital replacement cost of the Society's property, plant and equipment, will exceed their historic cost recorded and amortized in these financial statements. An amount of \$500,000 has been recorded.

Internally restricted net assets consist of the following:

	<b>2014</b>	<b>2013</b>
	\$	\$
Legacy Fund	<b>839,326</b>	819,474
Capital Replacement Reserve	<b>500,000</b>	500,000
Investment in property, plant and equipment	<b>5,589,877</b>	5,419,549
Total internally restricted	<b>6,929,203</b>	6,739,023

## Calgary Inter-Faith Food Bank Society

### NOTES TO FINANCIAL STATEMENTS

August 31, 2014

#### 9. OPERATING COSTS

	2014	2013
	\$	\$
Salaries and benefits	2,871,491	2,445,924
Occupancy	301,274	283,651
Vehicle and transportation	471,318	145,897
Other	343,939	422,064
	<u>3,988,022</u>	<u>3,297,536</u>

#### 10. FOOD DONATIONS-IN-KIND

The food donations are valued at an average price per pound of \$1.96. In 2014, management estimates that approximately 15.9 million pounds of food were received and distributed [15.3 million pounds at \$1.92 per pound in 2013].

#### 11. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2014	2013
	\$	\$
Decrease (increase) in accounts receivable	(36,352)	18,127
Decrease (increase) in prepaid expenses and other assets	(91,584)	57,777
Increase (decrease) in accounts payable and accrued liabilities	123,049	10,241
Increase (decrease) in deferred operating contributions	(119,353)	84,721
	<u>(124,240)</u>	<u>170,866</u>

**Calgary Inter-Faith Food Bank Society**

**NOTES TO FINANCIAL STATEMENTS**

August 31, 2014

**12. FINANCIAL INSTRUMENTS**

The Society is exposed to various financial risks through transactions in financial instruments.

**Credit Risk**

The organization is exposed to credit risk in connection with its accounts receivable and its short-term investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. As at August 31, 2014, \$41,023 of accounts receivable balance is due from Canada Revenue Agency. Due to certainty of collection, no allowance for doubtful accounts has been recorded.

**Market Risk**

The Society is exposed to market risk through changes in marketable security prices, other than changes arising from interest rate or currency risk, in connection with investments in equity securities and other pooled funds.

**13. COMPARATIVE FIGURES**

Certain reclassifications have been made to the comparative figures in order to conform to the current year's presentation.

