

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**

**FINANCIAL STATEMENTS**

**For the year ended December 31, 2018**

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**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
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**December 31, 2018**

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CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of  
Interfaith Food Bank Society of Lethbridge

### *Qualified Opinion*

We have audited the financial statements of Interfaith Food Bank Society of Lethbridge, which comprise the statement of financial position as at December 31, 2018, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of Interfaith Food Bank Society of Lethbridge 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 charitable organizations, the Society receives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. We are therefore unable to obtain sufficient appropriate audit evidence regarding the completeness of these revenues. Consequently we were unable to determine whether any adjustments to donations and fundraising revenue were necessary.

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 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 related 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.

## INDEPENDENT AUDITOR'S REPORT, 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.



Lethbridge, Alberta

April 30, 2019


Chartered Professional Accountants

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 13,859	\$ 115,332
Restricted cash (note 3)	307,572	613,649
Accounts receivable	36,761	14,857
Inventory (note 4)	128,262	128,578
Prepaid expenses	5,708	-
GST receivable	14,824	2,752
	506,986	875,168
<b>Capital assets (note 5)</b>	1,926,465	1,341,754
	\$ 2,433,451	\$ 2,216,922
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 14,853	\$ 13,805
Deferred revenue (note 6)	6,347	198,068
Current portion of long-term debt	69,775	68,978
	90,975	280,851
<b>Long-term debt (note 7)</b>	389,470	458,860
<b>Unamortized capital allocations (note 8)</b>	835,089	353,745
	1,315,534	1,093,456
<b>Net assets</b>		
Unrestricted	184,563	247,714
Internally restricted (note 9)	298,961	415,581
Invested in capital assets	632,129	460,171
Endowment	2,264	-
	1,117,917	1,123,466
	\$ 2,433,451	\$ 2,216,922

Approved on behalf of the board:

Director  \_\_\_\_\_

Director  \_\_\_\_\_

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**STATEMENT OF OPERATIONS**  
For the year ended December 31, 2018

	2018 Budget (unaudited)	2018 Actual	2017 Actual
<b>Revenue</b>			
Donations and grants (schedule 1)	\$ 1,956,200	\$ 1,882,387	\$ 2,091,444
Christmas fundraiser	285,000	239,753	289,505
Charity dinner and silent auction	35,000	48,220	29,996
Second Door Thrift Store	30,000	29,470	28,731
Bakeless bake sale	15,000	11,666	12,848
Learning Garden	3,000	10,781	1,478
Backpack program	3,500	6,298	3,966
Interest	2,500	5,378	2,573
Miscellaneous	1,000	628	2,085
	<b>2,331,200</b>	<b>2,234,581</b>	<b>2,462,626</b>
<b>Expenses</b>			
Food and supplies - in-kind	1,600,000	1,564,781	1,711,033
Wages and benefits	340,000	341,866	334,219
Food and supplies	130,000	125,957	109,959
Repairs and maintenance	35,000	41,463	41,168
Office and telephone	46,000	38,037	41,467
Utilities	37,000	35,306	35,366
Interest on long-term debt	90,000	20,207	19,105
Fundraising	15,000	16,496	14,772
Insurance	10,000	8,959	9,026
Professional fees	7,300	7,500	7,100
Advertising and promotion	6,000	5,611	2,532
Travel	5,700	5,514	7,114
Freight	7,000	5,072	6,180
Learning garden	-	4,623	2,372
Business taxes, licenses and memberships	1,800	1,630	1,948
Security	3,300	1,179	3,402
Interest and bank charges	600	933	566
Property taxes	500	-	464
	<b>2,335,200</b>	<b>2,225,134</b>	<b>2,347,793</b>
<b>Excess (deficiency) of revenue over expenses from operations</b>	<b>(4,000)</b>	<b>9,447</b>	<b>114,833</b>
<b>Income (expense) relating to capital assets</b>			
Capital allocations	-	61,535	27,297
Amortization	-	(78,795)	(58,901)
	<b>-</b>	<b>(17,260)</b>	<b>(31,604)</b>
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ (4,000)</b>	<b>\$ (7,813)</b>	<b>\$ 83,229</b>

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended December 31, 2018

	Unrestricted	Internally restricted net assets	Net assets invested in capital assets	Endowment	Total 2018	Total 2017
<b>Balance, beginning of year</b>	\$ 247,714	\$ 415,581	\$ 460,171	\$ -	\$ 1,123,466	\$ 1,040,237
<b>(Deficiency) excess of revenue over expenses</b>	(7,813)	-	-	-	(7,813)	83,229
<b>Investment in endowment</b>	-	-	-	2,264	2,264	-
<b>Transfers from internally restricted net assets</b>	120,000	(120,000)	-	-	-	-
<b>Transfers fo internally restricted net assets</b>	(3,380)	3,380	-	-	-	-
<b>Purchase of capital assets</b>	(663,506)	-	663,506	-	-	-
<b>Amortization</b>	78,795	-	(78,795)	-	-	-
<b>Repayment of long-term debt</b>	(68,592)	-	68,592	-	-	-
<b>Capital allocations received</b>	542,880	-	(542,880)	-	-	-
<b>Capital allocation revenue</b>	(61,535)	-	61,535	-	-	-
<b>Balance, end of year</b>	\$ 184,563	\$ 298,961	\$ 632,129	\$ 2,264	\$ 1,117,917	\$ 1,123,466

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2018

	2018	2017
<b>Cash flows from operating activities</b>		
(Deficiency) excess of revenue over expenses	\$ (7,813)	\$ 83,229
Adjustments for items which do not affect cash		
Amortization	78,795	58,901
Capital allocation revenue	(61,535)	(27,297)
	9,447	114,833
Change in non-cash working capital items		
Accounts receivable	(21,904)	(7,933)
Inventory	316	(32,730)
Prepaid expenses	(5,708)	-
GST	(12,072)	(1,688)
Accounts payable and accrued liabilities	1,047	125
Deferred revenue	(191,721)	177,844
	(220,595)	250,451
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(663,506)	(60,465)
Endowment	2,264	-
	(661,242)	(60,465)
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(68,593)	(69,695)
Capital contributions	542,880	60,465
	474,287	(9,230)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(407,550)</b>	<b>180,756</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>728,981</b>	<b>548,225</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 321,431</b>	<b>\$ 728,981</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 13,859	\$ 115,332
Restricted cash	307,572	613,649
	<b>\$ 321,431</b>	<b>\$ 728,981</b>

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**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

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**1. Nature of operations**

Interfaith Food Bank Society of Lethbridge is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act. As such, the Society is exempt from income tax and may give tax deductible receipts to donors. Interfaith Food Bank Society of Lethbridge recognizes the human dignity of those in need and provides food and access to services and resources generated from within our community.

**2. Significant accounting policies**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(b) Cash and cash equivalents

The Society includes cash on hand and cash held by financial institutions in operating accounts in the determination of cash and cash equivalents.

(c) Inventory

Inventory is valued at the industry standard of \$2.60/lb (2017- \$2.50/lb).

(d) Capital assets

Capital assets are recorded at cost. The Society provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building	6%
Equipment	20%
Vehicles	30%
Computer software	100%

One-half the normal rate of amortization is recorded in the year of acquisition.

(e) Net assets invested in capital assets

The Society has chosen to treat net assets invested in capital assets as a separate component of net assets.

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**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

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**2. Significant accounting policies, continued**

(f) Contributed goods and services

Contributions of goods are recognized when fair value can be reasonably estimated, the goods are used in the normal course of operations and would otherwise have been purchased.

A substantial number of unpaid volunteers make significant contributions of their time to the Society's programs. The value of this contributed time is not reflected in these financial statements since objective measurement or valuation is undeterminable.

(g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

A significant area requiring the use of managements estimates was the inventory valuation. The value of the inventory was determined using the industry standard at December 31, 2018.

(h) Financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

**3. Restricted cash**

Restricted cash consists of cash balances held in respect of deferred revenue, internally restricted net assets and endowments.

**4. Inventory**

	2018	2017
Food inventory (2018 - 49,331lbs.; 2017 - 51,432 lbs.)	\$ 128,262	\$ 128,578

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**5. Capital assets**

			2018	2017
	Cost	Accumulated amortization	Net	Net
Land	\$ 459,077	\$ -	\$ 459,077	\$ 459,077
Building	1,919,284	494,501	1,424,783	860,768
Equipment	59,317	22,618	36,699	13,472
Vehicles	39,368	33,462	5,906	8,437
	<u>\$ 2,477,046</u>	<u>\$ 550,581</u>	<u>\$ 1,926,465</u>	<u>\$ 1,341,754</u>

**6. Deferred revenue**

Deferred revenue represents unspent resources received in the current period that is related to the subsequent period.

	2018	2017
Garden	\$ 6,347	\$ 3,760
Building fund	-	194,308
	<u>\$ 6,347</u>	<u>\$ 198,068</u>

	Balance, beginning of year	Received	Recognized	Transferred to unamortized capital allocations	Balance, end of year
Garden	\$ 3,760	\$ 6,347	\$ (3,760)	\$ -	\$ 6,347
Building fund	194,308	362,432	(13,860)	(542,880)	-
	<u>\$ 198,068</u>	<u>\$ 368,779</u>	<u>\$ (17,620)</u>	<u>\$ (542,880)</u>	<u>\$ 6,347</u>

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**7. Long-term debt**

	2018	2017
ATB Financial		
This loan is repayable at \$4,000 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	\$ 232,973	\$ 263,612
This loan is repayable at \$3,400 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	226,272	264,226
	459,245	527,838
Less current portion	69,775	68,978
	\$ 389,470	\$ 458,860

Interfaith Food Bank Society of Lethbridge also has a revolving loan with a balance limit of \$80,000. Any drawings on this amount are repayable at prime plus 0.5%. No amount was drawn on this facility at December 31, 2018.

Security pledged on the above loans consists of specified land and building with a carrying value of \$1,883,860.

Estimated principal repayments are as follows:

2019	\$ 69,775
2020	72,944
2021	76,257
2022	79,721
2023	83,342
Subsequent years	77,206
	\$ 459,245

**8. Unamortized capital allocations**

Unamortized capital contributions represent the externally funded portion of capital assets that will be recognized as revenue in future periods. The changes in unamortized capital contribution balance for the period are as follows:

	2018	2017
Balance, beginning of year	\$ 353,745	\$ 320,577
Contributions received	542,880	60,465
Amortization of capital allocations	(61,536)	(27,297)
	\$ 835,089	\$ 353,745

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**9. Internally restricted net assets**

Internally restricted net assets consist of funds set aside by the Board of Directors of the Society for specific purposes, as follows:

	2018	2017
Building/contingency fund	\$ 282,380	\$ 299,000
Fixed mortgage fund	-	100,000
GST reserve	16,581	16,581
	<u>\$ 298,961</u>	<u>\$ 415,581</u>

**10. Budget amounts**

The 2018 budget amounts on the statement of operations are presented for information purposes only. These budget amounts have not been audited, reviewed or otherwise verified.

The approved budget contained a GST rebate as revenue. Since this item is not included in the amount reported on the financial statements, it has been excluded from the budget amount presented.

	2018	2017
Budgeted surplus per financial statements	\$ 4,000	\$ 5,000
less: GST rebate	(4,000)	(5,000)
	<u>\$ -</u>	<u>\$ -</u>

**11. Charitable fundraising act and regulation**

In accordance with the disclosure requirements of the Charitable Fund-raising Act and Regulation, approximately \$53,508 was paid during the year as remuneration to employees whose principal duties involved fundraising.

**12. Financial instruments**

**Interest rate risk**

The Society is exposed to interest rate risk due to the variable rate interest on certain loans. Changes in the lending rates may cause fluctuations in cash flows and interest expense.

**13. Comparative figures**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**  
**SCHEDULE TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

Schedule of donations and grants	Schedule 1		
	2018 Budget (unaudited)	2018 Actual	2017 Actual
Donations - in-kind	\$ 1,600,000	\$ 1,518,299	\$ 1,694,227
Donations	241,200	273,721	304,715
Other grants	45,000	24,675	15,797
Family and Community Support Services	20,000	19,914	19,204
Foodbank Alberta food hub	15,000	18,000	5,065
City of Lethbridge donation	12,500	12,500	12,500
United Way	15,000	8,750	15,250
Canada Summer Jobs	7,500	6,528	7,686
Food Fit	-	-	17,000
	<b>\$ 1,956,200</b>	<b>\$ 1,882,387</b>	<b>\$ 2,091,444</b>