

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

FINANCIAL STATEMENTS

For the year ended December 31, 2019

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
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December 31, 2019

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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, 2019, 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, 2019 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

June 29, 2020

Chartered Professional Accountants

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019

	2019	2018
ASSETS		
Current		
Cash	\$ 74,392	\$ 13,859
Restricted cash (note 3)	575,153	307,572
Accounts receivable	15,098	36,761
Inventory (note 4)	157,313	128,262
Prepaid expenses	-	5,708
GST receivable	2,633	14,824
	824,589	506,986
Capital assets (note 5)	1,847,451	1,926,465
	\$ 2,672,040	\$ 2,433,451
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 24,918	\$ 14,853
Deferred revenue (note 6)	289,466	6,347
Current portion of long-term debt	72,945	69,775
	387,329	90,975
Long-term debt (note 7)	316,523	389,470
Unamortized capital allocations (note 8)	781,007	835,089
	1,484,859	1,315,534
Net assets		
Unrestricted	224,520	184,563
Internally restricted (note 9)	283,120	298,961
Invested in capital assets	676,974	632,129
Endowment	2,567	2,264
	1,187,181	1,117,917
	\$ 2,672,040	\$ 2,433,451

Approved on behalf of the board:

Director 

Director 

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF OPERATIONS
For the year ended December 31, 2019

	2019 Budget (unaudited)	2019 Actual	2018 Actual
Revenue			
Donations and grants (schedule 1)	\$ 1,905,500	\$ 1,943,523	\$ 1,882,387
Christmas fundraiser	260,000	219,958	239,753
Charity dinner and silent auction	55,000	45,766	48,220
Second Door Thrift Store	32,000	21,778	29,470
Bakeless bake sale	12,000	14,317	11,666
Learning Garden	3,000	6,004	10,781
Miscellaneous	500	3,387	628
Interest	2,000	2,525	5,378
Backpack program	5,000	1,073	6,298
	2,275,000	2,258,331	2,234,581
Expenses			
Food and supplies - in-kind	1,555,000	1,520,579	1,564,781
Wages and benefits	350,200	337,628	341,866
Food and supplies	108,500	86,431	125,957
Office and telephone	48,000	48,863	38,037
Utilities	38,000	46,019	35,306
Repairs and maintenance	29,000	24,856	41,463
Fundraising	16,000	20,690	16,496
Interest on long-term debt	90,000	19,023	20,207
Insurance	10,000	8,933	8,959
Professional fees	7,500	8,150	7,500
Advertising and promotion	7,800	7,184	5,611
Learning garden	-	4,900	4,623
Travel	6,700	4,721	5,514
Freight	8,000	3,434	5,072
Business taxes, licenses and memberships	2,800	2,499	1,630
Security	2,500	2,324	1,179
Interest and bank charges	1,000	1,320	933
	2,281,000	2,147,554	2,225,134
Excess (deficiency) of revenue over expenses from operations	(6,000)	110,777	9,447
Income (expense) relating to capital assets			
Amortization of capital allocations	-	54,082	61,535
Amortization	-	(95,595)	(78,795)
	-	(41,513)	(17,260)
(Deficiency) excess of revenue over expenses	\$ (6,000)	\$ 69,264	\$ (7,813)

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2019

	Unrestricted	Internally restricted net assets	Net assets invested in capital assets	Endowment	Total 2019	Total 2018
Balance, beginning of year	\$ 184,563	\$ 298,961	\$ 632,129	\$ 2,264	\$ 1,117,917	\$ 1,123,466
Excess (deficiency) of revenue over expenses	69,264	-	-	-	69,264	(7,813)
Increase in endowment fund	-	-	-	303	303	2,264
Transfers from internally restricted net assets	-	(16,581)	16,581	-	-	-
Transfers to internally restricted net assets	(740)	740	-	-	-	-
Amortization	95,595	-	(95,595)	-	-	-
Repayment of long-term debt	(69,777)	-	69,777	-	-	-
Amortization of capital allocations	(54,082)	-	54,082	-	-	-
Balance, end of year	\$ 224,520	\$ 283,120	\$ 676,974	\$ 2,567	\$ 1,187,181	\$ 1,117,917

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF CASH FLOWS
For the year ended December 31, 2019

	2019	2018
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ 69,264	\$ (7,813)
Adjustments for items which do not affect cash		
Amortization	95,595	78,795
Amortization of capital allocations	(54,082)	(61,535)
	110,777	9,447
Change in non-cash working capital items		
Accounts receivable	21,663	(21,904)
Inventory	(29,051)	316
Prepaid expenses	5,708	(5,708)
GST	12,191	(12,072)
Accounts payable and accrued liabilities	10,065	1,047
Deferred revenue	283,119	(191,721)
	414,472	(220,595)
Cash flows from investing activities		
Purchase of capital assets	-	(663,506)
Endowment	-	2,264
GST repaid on building	(16,581)	-
	(16,581)	(661,242)
Cash flows from financing activities		
Repayment of long-term debt	(69,777)	(68,593)
Capital contributions	-	542,880
	(69,777)	474,287
Net increase (decrease) in cash and cash equivalents	328,114	(407,550)
Cash and cash equivalents, beginning of year	321,431	728,981
Cash and cash equivalents, end of year	\$ 649,545	\$ 321,431
Cash and cash equivalents consist of:		
Cash	\$ 74,392	\$ 13,859
Restricted cash	575,153	307,572
	\$ 649,545	\$ 321,431

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

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 (2018 - \$2.60/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.

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

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, 2019.

(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

	2019	2018
<u>Food inventory (2019 - 60,505 lbs.; 2018 - 49,331 lbs.)</u>	<u>\$ 157,313</u>	<u>\$ 128,262</u>

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

5. **Capital assets**

	2019		2018	
	Cost	Accumulated amortization	Net	Net
Land	\$ 459,077	\$ -	\$ 459,077	\$ 459,077
Building	1,935,865	580,985	1,354,880	1,424,783
Equipment	59,317	29,957	29,360	36,699
Vehicles	39,368	35,234	4,134	5,906
	<u>\$ 2,493,627</u>	<u>\$ 646,176</u>	<u>\$ 1,847,451</u>	<u>\$ 1,926,465</u>

6. **Deferred revenue**

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

	Balance, beginning of year	Received	Recognized	Balance, end of year
Building fund	\$ -	\$ 258,633	\$ -	\$ 258,633
Community Initiatives Program	-	75,000	(62,484)	12,516
New Horizons for Seniors Program	-	11,600	(2,692)	8,908
Sage Clan Patrol Program	-	11,000	(5,827)	5,173
Garden	6,347	3,893	(6,004)	4,236
	<u>\$ 6,347</u>	<u>\$ 360,126</u>	<u>\$ (77,007)</u>	<u>\$ 289,466</u>

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

7. Long-term debt

	2019	2018
ATB Financial		
This loan is repayable at \$3,400 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	\$ 201,911	\$ 232,973
This loan is repayable at \$4,000 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	187,557	226,272
	389,468	459,245
Less current portion	72,945	69,775
	<u>\$ 316,523</u>	<u>\$ 389,470</u>

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, 2019.

Security pledged on the above loans consists of specified land and building with a carrying value of \$1,813,957.

Estimated principal repayments are as follows:

2020	\$ 72,945
2021	76,257
2022	79,721
2023	83,342
2024	53,085
Subsequent years	24,118
	<u>\$ 389,468</u>

8. Unamortized capital allocations

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

	2019	2018
Balance, beginning of year	\$ 835,089	\$ 353,745
Contributions received	-	542,880
Amortization of capital allocations	(54,082)	(61,536)
	<u>\$ 781,007</u>	<u>\$ 835,089</u>

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

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:

	2019	2018
Building/contingency fund	\$ 283,120	\$ 282,380
GST reserve	-	16,581
	\$ 283,120	\$ 298,961

10. Subsequent events

Subsequent to the year end, the Society began phase 3 of their construction project to expand and relocate client services from the back of the building to the street front. Total costs for the project are estimated at \$376,299. The project is expected to be complete in April 2020.

COVID-19

On March 11, 2020, the World Health Organization assessed the COVID-19 outbreak as a pandemic. On March 17, 2020, the Province of Alberta declared a public health emergency as a result of the outbreak.

The pandemic has had a significant impact on global financial markets and will have significant accounting, disclosure, and internal control implications for many entities.

Some of the key impacts include, but are not limited to, interruptions of production and supply chains, unavailability of personnel, reductions in revenue, decline in value of financial investments, disruptions or stoppages in non-essential travel, and the closure of facilities and businesses.

The situation is changing rapidly and the future impact on the Society is not readily determinable at this time.

11. Budget amounts

The 2019 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.

	2019
Budgeted surplus per financial statements	\$ 6,000
less: GST rebate	(6,000)
<u>Equals: balance budget</u>	\$ -

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019

12. Charitable fundraising act and regulation

In accordance with the disclosure requirements of the Charitable Fund-raising Act and Regulation, approximately \$55,042 was paid during the year as remuneration to employees whose principal duties involved fundraising.

13. 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.

14. 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, 2019

Schedule of donations and grants	Schedule 1		
	2019 Budget (unaudited)	2019 Actual	2018 Actual
Donations - in-kind	\$ 1,555,000	\$ 1,549,630	\$ 1,564,465
Donations	252,000	248,680	227,555
Other grants	31,000	77,802	24,675
Family Centre	20,500	20,511	19,914
Food Banks Alberta - Southern Hub	18,000	18,000	18,000
City of Lethbridge donation	12,500	12,500	12,500
United Way	10,000	8,000	8,750
Canada Summer Jobs	6,500	8,400	6,528
	\$ 1,905,500	\$ 1,943,523	\$ 1,882,387

Billing Address

Interfaith Food Bank
 Danielle McIntyre
 1116 3rd Ave. North
 Lethbridge, AB T1H0H6

Customer Number 0000417T

Credit Terms Net Due Upon Receipt

Invoice Date
 03/12/2021

Amount Due
\$535.50

Week Ending	Employee Name	Job	Item Type	Units	Rate / Price	Extended Amount
03/07/2021	Lang, Kaitlyn	Office Services	HOUR	20.00	\$25.50	\$510.00 -T

Sales Amount	+	GST 870604220	Total Due
\$510.00		\$25.50	\$535.50

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 For inquires about this invoice please call 403.382.3669

Invoices for temporary employment services are payable upon receipt
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