

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

FINANCIAL STATEMENTS

For the year ended December 31, 2021

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

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December 31, 2021

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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, 2021, 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, 2021 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 25, 2022



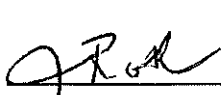
Chartered Professional Accountants

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF FINANCIAL POSITION
As at December 31, 2021

	2021	2020
ASSETS		
Current		
Cash	\$ 36,485	\$ 420
Restricted cash (note 3)	952,525	721,627
Accounts receivable	39,040	119,526
Inventory (note 4)	185,116	294,400
Prepaid expenses	6,241	264
GST receivable	13,628	4,516
	1,233,035	1,140,753
Capital assets (note 5)	2,140,755	2,160,545
	\$ 3,373,790	\$ 3,301,298
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 35,213	\$ 40,604
Payroll source deductions	-	11,279
Deferred revenue (note 6)	102,528	18,912
Current portion of long-term debt	83,082	80,670
	220,823	151,465
Long-term debt (note 7)	148,633	231,716
Unamortized capital allocations (note 8)	1,096,243	1,119,855
	1,465,699	1,503,036
Net assets		
Unrestricted	245,299	367,244
Internally restricted (note 9)	846,964	699,947
Invested in capital assets	812,795	728,303
Endowment	3,033	2,768
	1,908,091	1,798,262
	\$ 3,373,790	\$ 3,301,298

Approved on behalf of the board:

Director 

Director 

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

STATEMENT OF OPERATIONS

For the year ended December 31, 2021

	2021	2020
Revenue		
Donations and grants (schedule 1)	\$ 534,741	\$ 829,930
Christmas fundraiser	364,318	294,709
Second Door Thrift Store	29,934	27,878
Bakeless bake sale	27,910	31,245
Charity dinner and silent auction	17,119	24,449
Learning Garden	5,057	5,710
Backpack program	2,185	1,921
Miscellaneous	2,039	3,806
Interest	1,266	1,930
	984,569	1,221,578
Expenses		
Wages and benefits	457,272	367,216
Food and supplies	120,216	311,930
Office and telephone	65,007	90,645
Utilities	57,142	45,298
Repairs and maintenance	55,669	63,932
Professional fees	22,988	8,000
Fundraising	13,238	9,652
Insurance	10,697	8,824
Fuel and automotive	8,339	8,067
Interest on long-term debt	8,128	11,718
Security	6,788	8,031
Learning garden	5,649	3,480
Advertising and promotion	4,431	3,387
Interest and bank charges	2,222	1,874
Business taxes, licenses and memberships	2,196	1,955
Freight	1,779	3,000
	841,761	947,009
Excess (deficiency) of revenue over expenses from operations	142,808	274,569
Non-cash revenue (expense)		
Donations - in-kind	1,925,564	1,598,786
Food and supplies - non-cash	(2,034,848)	(1,461,698)
Amortization of deferred capital allocations	79,127	63,344
Amortization	(120,451)	(102,490)
	(150,608)	97,942
(Deficiency) excess of revenue over expenses before other	(7,800)	372,511
Other revenue		
COVID-19 grants and subsidies	117,629	238,570
Excess of revenue over expenses	\$ 109,829	\$ 611,081

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2021

	Unrestricted	Internally restricted net assets	Net assets invested in capital assets	Endowment	Total 2021	Total 2020
Balance, beginning of year	\$ 367,244	\$ 699,947	\$ 728,303	\$ 2,768	\$ 1,798,262	\$ 1,187,181
Excess of revenue over expenses	109,829	-	-	-	109,829	611,081
Increase in endowment fund	(265)	-	-	265	-	201
Transfers to internally restricted net assets	(147,017)	147,017	-	-	-	-
Purchase of capital assets	(100,661)	-	100,661	-	-	-
Amortization	120,451	-	(120,451)	-	-	-
Repayment of long-term debt	(80,672)	-	80,672	-	-	-
Capital allocations received	55,517	-	(55,517)	-	-	-
Amortization of capital allocations	(79,127)	-	79,127	-	-	-
Balance, end of year	\$ 245,299	\$ 846,964	\$ 812,795	\$ 3,033	\$ 1,908,091	\$ 1,798,262

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2021

	2021	2020
Cash flows from operating activities		
Excess of revenue over expenses	\$ 109,829	\$ 611,081
Adjustments for items which do not affect cash		
Amortization	120,451	102,490
Amortization of capital allocations	(79,127)	(63,344)
	151,153	650,227
Change in non-cash working capital items		
Accounts receivable	80,486	(104,428)
Inventory	109,284	(137,087)
Prepaid expenses	(5,977)	(264)
GST	(9,112)	(1,883)
Accounts payable and accrued liabilities	(5,393)	15,687
Payroll source deductions	(11,279)	11,279
Deferred revenue	83,616	(270,554)
	392,778	162,977
Cash flows from investing activity		
Purchase of capital assets	(100,661)	(415,585)
Cash flows from financing activities		
Repayment of long-term debt	(80,671)	(77,082)
Capital contributions	55,517	402,192
	(25,154)	325,110
Net increase in cash and cash equivalents	266,963	72,502
Cash and cash equivalents, beginning of year	722,047	649,545
Cash and cash equivalents, end of year	\$ 989,010	\$ 722,047
Cash and cash equivalents consist of:		
Cash	\$ 36,485	\$ 420
Restricted cash	952,525	721,627
	\$ 989,010	\$ 722,047

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

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 \$2.62/lb (2020 - \$2.62/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, 2021

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, 2021.

(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**

	2021	2020
Food inventory (2021 - 70,655 lbs.; 2020 - 112,367 lbs.)	\$ 185,116	\$ 294,400

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

5. **Capital assets**

			2021	2020
	Cost	Accumulated amortization	Net	Net
Land	\$ 459,077	\$ -	\$ 459,077	\$ 459,077
Building	2,358,587	774,214	1,584,373	1,654,267
Equipment	82,449	47,002	35,447	44,308
Vehicles	109,759	47,901	61,858	2,893
	\$ 3,009,872	\$ 869,117	\$ 2,140,755	\$ 2,160,545

6. **Deferred revenue**

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

	Balance, beginning of year	Received	Recognized	Transfer to unamortized capital allocations	Balance, end of year
Emergency Food Security \$	-	\$ 114,320	\$ (46,070)	-	\$ 68,250
Community Foundation of Lethbridge and Southwestern Alberta	-	28,000	-	-	28,000
United Way	2,080	6,520	(4,630)	-	3,970
Garden	7,090	-	(4,782)	-	2,308
Lowe's Heroes	9,742	-	-	(9,742)	-
Food Banks Alberta COVID Response	-	15,000	(15,000)	-	-
Local Food Infrastructure Fund	-	45,773	-	(45,773)	-
United Way Baby Bundles	-	8,000	(8,000)	-	-
Walmart Fights Hunger Family and Community Support Services of Alberta	-	40,814	(40,814)	-	-
	\$ 18,912	\$ 298,427	\$ (159,296)	\$ (55,515)	\$ 102,528

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

7. Long-term debt

	2021	2020
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.	\$ 130,903	\$ 167,259
This loan is repayable at \$4,000 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	100,812	145,127
	231,715	312,386
Less current portion	83,082	80,670
	<u>\$ 148,633</u>	<u>\$ 231,716</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, 2021.

Security pledged on the above loans consists of specified land and building with a carrying value of \$2,043,450.

Estimated principal repayments are as follows:

2022	\$ 83,082
2023	85,565
2024	47,883
2025	15,185
	<u>\$ 231,715</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:

	2021	2020
Balance, beginning of year	\$ 1,119,855	\$ 781,007
Contributions received	55,515	402,192
Amortization of capital allocations	(79,127)	(63,344)
	<u>\$ 1,096,243</u>	<u>\$ 1,119,855</u>

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

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:

	2021	2020
Contingency fund	\$ 600,854	\$ 483,722
Operating contingency	150,000	150,000
Salaries	60,110	-
Site committee items	24,500	-
Gnome supplies	11,500	-
Human resources	-	30,000
Refrigerated van	-	23,725
Donor software	-	7,500
Interior signage	-	5,000
	\$ 846,964	\$ 699,947

The Society maintains a Contingency Fund to ensure funds are available for unexpected costs associated with maintenance and upkeep of the facility and major equipment necessary for food bank operations, and an Operating Contingency to ensure funds are available for continuance of service in the event of emergencies or unexpected circumstances.

10. COVID-19

Events have occurred as a result of the COVID-19 (coronavirus) pandemic that have caused economic uncertainty. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government responses, remain unclear at this time.

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 Society's revenues and expenses related to fundraising decreased from the beginning of the pandemic to year end as a result of events being cancelled due to COVID-19 restrictions. However grant and donation revenue increased as a result of Food Banks Canada and Food Banks Alberta advertising campaigns requesting donations which allowed the Interfaith Food Bank Society of Lethbridge to continue to provide food and services to individuals in the community. Management is not aware of any material impairments that will impact the financial assets or liabilities of the company due to the pandemic.

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

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

11. Charitable fundraising act and regulation

In accordance with the disclosure requirements of the Charitable Fund-raising Act and Regulation, approximately \$56,630 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. Commitments

Interfaith Food Bank Society has approved the drainage and garden expansion project for 2022. The estimated cost of the project is \$200,000 and will be mainly funded by a grant.

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
SCHEDULE TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2021

Schedule of donations and grants

Schedule 1

	2021	2020
Donations	\$ 412,766	\$ 676,735
Other grants	54,064	81,353
Family Centre	20,511	16,867
Food Banks Alberta - Southern Hub	18,000	18,000
City of Lethbridge donation	12,500	12,500
United Way	8,500	16,080
Canada Summer Jobs	8,400	8,395
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	\$ 534,741	\$ 829,930
