

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

FINANCIAL STATEMENTS

For the year ended December 31, 2020

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
TABLE OF CONTENTS
December 31, 2020

INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 12
SCHEDULE TO THE FINANCIAL STATEMENTS	13



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, 2020, 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, 2020 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.

Avail LLP

Lethbridge, Alberta

April 26, 2021

Chartered Professional Accountants

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

	2020	2019
ASSETS		
Current		
Cash	\$ 420	\$ 74,392
Restricted cash (note 3)	721,627	575,153
Accounts receivable	119,526	15,098
Inventory (note 4)	294,400	157,313
Prepaid expenses	264	-
GST receivable	4,516	2,633
	1,140,753	824,589
Capital assets (note 5)	2,160,545	1,847,451
	\$ 3,301,298	\$ 2,672,040
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 40,604	\$ 24,918
Payroll source deductions	11,279	-
Deferred revenue (note 6)	18,912	289,466
Current portion of long-term debt	80,670	72,945
	151,465	387,329
Long-term debt (note 7)	231,716	316,523
Unamortized capital allocations (note 8)	1,119,855	781,007
	1,503,036	1,484,859
Net assets		
Unrestricted	367,244	224,520
Internally restricted (note 9)	699,947	283,120
Invested in capital assets	728,303	676,974
Endowment	2,768	2,567
	1,798,262	1,187,181
	\$ 3,301,298	\$ 2,672,040

Approved on behalf of the board:

Director 

Director 

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF OPERATIONS
For the year ended December 31, 2020

	2020 Budget (unaudited)	2020 Actual	2019 Actual
Revenue			
Donations and grants (schedule 1)	\$ 389,600	\$ 829,930	\$ 393,893
Christmas fundraiser	250,000	294,709	219,958
Bakeless bake sale	15,000	31,245	14,317
Second Door Thrift Store	30,000	27,878	21,778
Charity dinner and silent auction	55,000	24,449	45,766
Learning Garden	5,000	5,710	6,004
Miscellaneous	1,000	3,806	3,387
Interest	2,500	1,930	2,525
Backpack program	1,000	1,921	1,073
	749,100	1,221,578	708,701
Expenses			
Wages and benefits	360,000	367,216	337,628
Food and supplies	106,000	311,930	86,431
Office and telephone	76,500	90,645	48,863
Repairs and maintenance	29,500	63,932	24,856
Utilities	60,000	45,298	46,019
Interest on long-term debt	88,800	11,718	19,023
Fundraising	20,000	9,652	20,690
Insurance	10,000	8,824	8,933
Travel	8,300	8,067	4,721
Security	6,500	8,031	2,324
Professional fees	10,500	8,000	8,150
Learning garden	-	3,480	4,900
Advertising and promotion	7,000	3,387	7,184
Freight	3,500	3,000	3,434
Business taxes, licenses and memberships	3,000	1,955	2,499
Interest and bank charges	1,500	1,874	1,320
	791,100	947,009	626,975
Excess (deficiency) of revenue over expenses from operations	(42,000)	274,569	81,726
Non-cash revenue (expense)			
Donations - in-kind	1,560,000	1,598,786	1,549,630
Food and supplies - non-cash	(1,560,000)	(1,461,698)	(1,520,579)
Amortization of deferred capital allocations	-	63,344	54,082
Amortization	-	(102,490)	(95,595)
	-	97,942	(12,462)
(Deficiency) excess of revenue over expenses before other	(42,000)	372,511	69,264
Other revenue			
COVID-19 grants and subsidies	-	238,570	-
(Deficiency) excess of revenue over expenses	\$ (42,000)	\$ 611,081	\$ 69,264

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2020

	Unrestricted	Internally restricted net assets	Net assets invested in capital assets	Endowment	Total 2020	Total 2019
Balance, beginning of year	\$ 224,520	\$ 283,120	\$ 676,974	\$ 2,567	\$ 1,187,181	\$ 1,117,917
Excess of revenue over expenses	611,081	-	-	-	611,081	69,264
Increase in endowment fund	-	-	-	201	201	303
Transfers to internally restricted net assets	(416,827)	416,827	-	-	-	-
Purchase of capital assets	(415,585)	-	415,585	-	-	-
Amortization	102,490	-	(102,490)	-	-	-
Repayment of long-term debt	(77,082)	-	77,082	-	-	-
Capital allocations received	402,192	-	(402,192)	-	-	-
Amortization of capital allocations	(63,344)	-	63,344	-	-	-
Balance, end of year	\$ 367,244	\$ 699,947	\$ 728,303	\$ 2,768	\$ 1,798,262	\$ 1,187,181

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

For the year ended December 31, 2020

	2020	2019
Cash flows from operating activities		
Excess of revenue over expenses	\$ 611,081	\$ 69,264
Adjustments for items which do not affect cash		
Amortization	102,490	95,595
Amortization of capital allocations	(63,344)	(54,082)
	650,227	110,777
Change in non-cash working capital items		
Accounts receivable	(104,428)	21,663
Inventory	(137,087)	(29,051)
Prepaid expenses	(264)	5,708
GST	(1,883)	12,191
Accounts payable and accrued liabilities	15,687	10,065
Payroll source deductions	11,279	-
Deferred revenue	(270,554)	283,119
	162,977	414,472
Cash flows from investing activities		
Purchase of capital assets	(415,585)	-
GST repaid on building	-	(16,581)
	(415,585)	(16,581)
Cash flows from financing activities		
Repayment of long-term debt	(77,082)	(69,777)
Capital contributions	402,192	-
	325,110	(69,777)
Net increase in cash and cash equivalents	72,502	328,114
Cash and cash equivalents, beginning of year	649,545	321,431
Cash and cash equivalents, end of year	\$ 722,047	\$ 649,545
Cash and cash equivalents consist of:		
Cash	\$ 420	\$ 74,392
Restricted cash	721,627	575,153
	\$ 722,047	\$ 649,545

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

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 (2019 - \$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, 2020

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, 2020.

(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

	2020	2019
Food inventory (2020 - 112,367 lbs.; 2019 - 60,505 lbs.)	\$ 294,400	\$ 157,313

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

5. **Capital assets**

	2020		2019	
	Cost	Accumulated amortization	Net	Net
Land	\$ 459,077	\$ -	\$ 459,077	\$ 459,077
Building	2,328,317	674,050	1,654,267	1,354,880
Equipment	82,449	38,141	44,308	29,360
Vehicles	39,368	36,475	2,893	4,134
	<u>\$ 2,909,211</u>	<u>\$ 748,666</u>	<u>\$ 2,160,545</u>	<u>\$ 1,847,451</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	Transfer to unamortized capital allocations	Balance, end of year
Building fund	258,633	142,012	(26,404)	(374,241)	-
Community Initiatives Program	12,516	-	(12,516)	-	-
New Horizons for Seniors Program	8,908	-	(8,908)	-	-
Sage Clan Patrol Program	5,173	-	(5,173)	-	-
Garden	4,236	6,334	(3,479)	-	7,091
Lowe's Heroes	-	9,741	-	-	9,741
United Way	-	2,080	-	-	2,080
Local Food Infrastructure Fund	-	18,329	-	(18,329)	-
Community Food Centres Canada Good Food Access Fund	-	20,000	(10,378)	(9,622)	-
Lethbridge Food Bank Joint COVID Grant	-	27,000	(27,000)	-	-
Family and Community Support Services of Alberta Joint Food Pod Grant	-	190,148	(190,148)	-	-
	<u>289,466</u>	<u>415,644</u>	<u>(284,006)</u>	<u>(402,192)</u>	<u>18,912</u>

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

7. Long-term debt

	2020	2019
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.	\$ 167,259	\$ 201,911
This loan is repayable at \$4,000 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	145,127	187,557
	312,386	389,468
Less current portion	80,670	72,945
	\$ 231,716	\$ 316,523

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, 2020.

Security pledged on the above loans consists of specified land and building with a carrying value of \$2,113,344.

Estimated principal repayments are as follows:

2021	\$ 80,670	
2022	83,082	
2023	85,565	
2024	47,883	
2025	15,186	
	\$ 312,386	

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:

	2020	2019
Balance, beginning of year	\$ 781,007	\$ 835,089
Contributions received	402,192	-
Amortization of capital allocations	(63,344)	(54,082)
	\$ 1,119,855	\$ 781,007

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

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:

	2020	2019
Building/contingency fund	\$ 483,722	\$ 283,120
Operating contingency	150,000	-
Human resources	30,000	-
Refrigerated van	23,725	-
Donor software	7,500	-
Interior signage	5,000	-
	\$ 699,947	\$ 283,120

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, 2020

11. Budget amounts

The 2020 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.

	2020
Budgeted deficit per financial statements	\$ 42,000
less: GST rebate	(6,000)
<u>Equals: budgeted deficit</u>	<u>\$ 36,000</u>

12. Charitable fundraising act and regulation

In accordance with the disclosure requirements of the Charitable Fund-raising Act and Regulation, approximately \$54,430 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.

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
SCHEDULE TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2020

Schedule of donations and grants

Schedule 1

	2020 Budget (unaudited)	2020 Actual	2019 Actual
Donations	\$ 258,000	\$ 676,735	\$ 248,680
Other grants	70,089	81,353	77,802
Food Banks Alberta - Southern Hub	18,000	18,000	18,000
Family Centre	20,511	16,867	20,511
United Way	3,000	16,080	8,000
City of Lethbridge donation	12,500	12,500	12,500
Canada Summer Jobs	7,500	8,395	8,400
	\$ 389,600	\$ 829,930	\$ 393,893