

WOOD BUFFALO FOOD BANK ASSOCIATION
Financial Statements
Year Ended July 31, 2016

WOOD BUFFALO FOOD BANK ASSOCIATION

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Year Ended July 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Wood Buffalo Food Bank Association

We have audited the accompanying financial statements of Wood Buffalo Food Bank Association, which comprise the statement of financial position as at July 31, 2016 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.

Auditor's 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 auditor's 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 auditor considers 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

In common with many not-for-profit organizations, Wood Buffalo Food Bank Association derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Wood Buffalo Food Bank Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended July 31, 2016, current assets and net assets as at July 31, 2016.

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 Wood Buffalo Food Bank Association as at July 31, 2016 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.

King + Company


Edmonton, AB
November 19, 2016

CHARTERED ACCOUNTANTS

WOOD BUFFALO FOOD BANK ASSOCIATION**Statement of Financial Position****As at July 31, 2016**

	2016	2015
ASSETS		
CURRENT		
Cash (Note 3)	\$ 982,544	\$ 298,664
Accounts receivable (Note 4)	456,886	99,796
Prepaid expenses (Note 5)	152,580	11,947
	<u>1,592,010</u>	<u>410,407</u>
TERM DEPOSITS (Note 6)	700,000	527,000
RENT DEPOSIT	11,500	11,500
CAPITAL ASSETS (Note 7)	<u>118,484</u>	<u>44,316</u>
	<u>\$ 2,421,994</u>	<u>\$ 993,223</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 626,453	\$ 59,208
Deferred contributions related to operations (Note 9)	123,098	99,283
Deferred gift card contributions (Note 10)	10,140	2,105
	<u>759,691</u>	<u>160,596</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 11)	71,338	8,688
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL REPLACEMENT EXPENDITURE RESERVE (Note 12)	<u>17,312</u>	<u>58,200</u>
	<u>848,341</u>	<u>227,484</u>
NET ASSETS		
Invested in capital assets	47,146	35,628
Internally restricted (Note 13)	1,526,507	544,000
Unrestricted	-	186,111
	<u>1,573,653</u>	<u>765,739</u>
	<u>\$ 2,421,994</u>	<u>\$ 993,223</u>

ON BEHALF OF THE BOARD


Board Chair

Director

KING & COMPANY
CHARTERED ACCOUNTANTS

WOOD BUFFALO FOOD BANK ASSOCIATION

Statement of Operations

Year Ended July 31, 2016

	2016	2015
REVENUE		
Donated food products (Note 2)	\$ 1,380,194	\$ 925,440
Grants	1,200,513	35,867
Donations	900,038	370,419
Fundraising (Note 14)	427,742	456,154
Program (Note 15)	201,016	184,267
Recognition of revenue from capital replacement expenditures (Note 12)	41,281	3,837
Amortization of deferred contributions related to capital assets (Note 11)	23,374	2,543
Casino (Note 9)	21,093	56,341
Interest, parking and other (Note 16)	13,351	32,655
	<u>4,208,602</u>	<u>2,067,523</u>
EXPENSES		
Donated food products distributed (Note 2)	1,380,194	925,440
Food purchases	695,213	112,513
Salaries and benefits	621,268	415,382
Warehouse	195,324	21,744
Rent	148,215	148,109
Supplies	113,880	44,388
Office	92,314	50,593
Amortization of capital assets	25,760	10,877
Advertising and promotion	25,407	16,328
Subcontracts	19,455	5,160
Utilities	16,421	16,399
Professional fees	13,556	7,865
Travel	12,682	21,035
Fundraising (Note 17)	12,510	63,887
Insurance	10,308	11,936
Telecommunications	5,424	7,182
Repairs and maintenance	3,013	2,021
Licenses and fees	2,651	2,305
Interest and bank charges	2,326	612
Bad debts	1,805	14,430
Board	1,616	3,527
Vehicle	1,346	2,555
	<u>3,400,688</u>	<u>1,904,288</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 807,914</u>	<u>\$ 163,235</u>

WOOD BUFFALO FOOD BANK ASSOCIATION

Statement of Changes in Net Assets

Year Ended July 31, 2016

	Invested in capital assets	Internally restricted (Note 13)	Unrestricted	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 35,628	\$ 544,000	\$ 186,111	\$ 765,739	\$ 602,504
Excess (deficiency) of revenue over expenses	(2,386)	-	810,300	807,914	163,235
Purchase of capital assets, net	13,904	-	(13,904)	-	-
Transfers	-	982,507	(982,507)	-	-
NET ASSETS - END OF YEAR	\$ 47,146	\$ 1,526,507	\$ -	\$ 1,573,653	\$ 765,739

WOOD BUFFALO FOOD BANK ASSOCIATION**Statement of Cash Flows****Year Ended July 31, 2016**

	2016	2015
OPERATING ACTIVITIES		
Cash receipts from fundraising, donations, program, grants, parking and other	\$ 2,429,752	\$ 1,046,500
Interest received	7,350	5,280
Interest paid	(2,325)	(612)
Cash paid to suppliers and employees	(1,563,993)	(921,319)
Cash flow from operating activities	870,784	129,849
FINANCING AND INVESTING ACTIVITIES		
Contributions for capital assets	52,025	-
Purchase of capital assets	(65,929)	(11,012)
Purchase of term deposits	(173,000)	(150,350)
Cash flow used by financing and investing activities	(186,904)	(161,362)
INCREASE (DECREASE) IN CASH	683,880	(31,513)
CASH - BEGINNING OF YEAR	298,664	330,177
CASH - END OF YEAR	\$ 982,544	\$ 298,664

WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

NATURE OF OPERATIONS

Wood Buffalo Food Bank Association was incorporated under the Societies Act of Alberta on December 22, 1983. The purpose of the association is the operation of a food bank to alleviate hunger in the Regional Municipality of Wood Buffalo area by soliciting donations and collecting food for distribution through a network of programs that serve target population groups. Wood Buffalo Food Bank Association receives support from the community, charitable organizations and corporate sponsorship. It is a registered charity under the Income Tax Act.

1. REGIONAL MUNICIPALITY OF WOOD BUFFALO EVACUATION

In May 2016, a major wildfire occurred in the Regional Municipality of Wood Buffalo where the association's premises is located and majority of operations take place. As a result of the fire, residents were forced to evacuate a significant portion of the region. Upon returning in June 2016, the association supported evacuees which significantly increased operational activity. Prior to the evacuation, there was already an increase in demand for the services provided by the association because of the economic environment in the region. As a result, the direct impact of the evacuation to the items on the statement of operations could not be determined and have not been disclosed separately.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Changes in Significant Accounting Policies

During the year, the association adopted the provisions of the Chartered Professional Accountants of Canada Handbook Section 4410, "Contributions - Revenue Recognition", which allows for contributed materials and services to be recognized as revenue when the fair value can be reasonably estimated and when the materials and services are used in the normal course of operations and would have otherwise have been purchased. The details of the new accounting policy are listed below and the prior period has been restated to conform to the current year's presentation.

Contributed Materials and Services

Volunteers contribute time each year to aid the association in carrying out its services and fundraising activities. Due to the difficulty in determining the fair value, the financial value of contributed services is not recognized in these financial statements.

The association receives a significant volume of food products from the community.

The volume of donated food products acquired and distributed through operations was 552,077 pounds (2015 - 370,176) pounds with a value of \$2.50 per pound based on an estimate provided by a third party. These donated food products are reflected in the statement of operations as donated food products offsetting donated food products distributed. The association recognizes the donated food products in the period in which they are received and distributed within the community and does not record ending inventory.

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WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

The association 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.

Revenue from all other sources is included in revenue in the year in which it is received or is receivable.

Cash

Cash is comprised of cash held with financial institutions.

Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Capital Assets

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	50%	declining balance method
Furniture and fixtures	20%	straight-line method
Leasehold improvements	10%	straight-line method
Vehicles	30%	declining balance method

The association regularly reviews its capital assets to eliminate obsolete items.

Pension Plan

The association maintains a defined contribution pension plan under which amounts are contributed to employees' RRSP accounts. Expense for this plan is equal to the association's required contribution for the year.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

3. CASH

Cash is restricted for the following:

	2016	2015
Unrestricted	\$ 392,627	\$ 171,681
Internally restricted for capital building fund (Note 13)	395,507	-
Internally restricted for capital replacement expenditure reserve (Note 13)	54,000	42,000
Externally restricted for expenses approved by the Alberta Gaming and Liquor Commission (AGLC) (casino funds) (Note 9)	28,203	51,783
Externally restricted for slow cooker program (Note 9)	94,895	-
Externally restricted for capital replacement expenditure reserve (Note 12)	17,312	33,200
	<u>\$ 982,544</u>	<u>\$ 298,664</u>

4. ACCOUNTS RECEIVABLE

	2016	2015
Alberta Food Banks	\$ 377,397	\$ -
Regional Municipality of Wood Buffalo	28,467	78,898
Grant	21,654	-
Goods and services tax	19,368	14,011
Donation	10,000	3,901
Other	-	2,986
	<u>\$ 456,886</u>	<u>\$ 99,796</u>

5. PREPAID EXPENSES

	2016	2015
Rent	\$ 112,332	\$ -
Salaries and benefits	19,753	4,314
Gift cards	10,545	2,105
Insurance	9,751	5,528
Other	199	-
	<u>\$ 152,580</u>	<u>\$ 11,947</u>

WOOD BUFFALO FOOD BANK ASSOCIATION**Notes to Financial Statements****Year Ended July 31, 2016****6. TERM DEPOSITS**

	2016	2015
Internally restricted for emergency operating fund (Note 13)	\$ 368,000	\$ 368,000
Internally restricted for capital building fund (Note 13)	332,000	134,000
Externally restricted for capital replacement expenditure reserve (Note 12)	-	25,000
	<u>\$ 700,000</u>	<u>\$ 527,000</u>

Term deposits are a mix of redeemable and non-redeemable, maturing between September 2016 and January 2019, with an average interest rate of 1.34% (2015 - 1.44%).

7. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Computer equipment	\$ 3,953	\$ 2,164	\$ 1,789	\$ 2,352
Furniture and fixtures	80,220	16,884	63,336	11,256
Leasehold improvements	2,819	1,292	1,527	1,809
Motor vehicles	71,179	19,347	51,832	28,899
	<u>\$ 158,171</u>	<u>\$ 39,687</u>	<u>\$ 118,484</u>	<u>\$ 44,316</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade	\$ 602,965	\$ 40,561
Vacation pay	23,488	18,647
	<u>\$ 626,453</u>	<u>\$ 59,208</u>

WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

9. DEFERRED CONTRIBUTIONS RELATED TO OPERATIONS

	2016	2015
Casino		
Balance, beginning of year	\$ 51,783	\$ 52,880
Contributions	31,512	55,244
Recognized as revenue	(21,093)	(56,341)
Transfer to deferred contributions related to equipment and leasehold improvements	(33,999)	-
	<u>28,203</u>	<u>51,783</u>
Slow Cooker Program		
Contributions	\$ 100,000	\$ -
Recognized as revenue	(5,105)	-
	<u>94,895</u>	<u>-</u>
Mobile Pantry Program		
Balance, beginning of year	37,500	-
Contributions	97,000	110,000
Recognized as revenue	(134,500)	(72,500)
	<u>-</u>	<u>37,500</u>
Other		
Balance, beginning of year	10,000	-
Contributions	-	10,000
Recognized as revenue	(10,000)	-
	<u>-</u>	<u>10,000</u>
Grand Total	<u>\$ 123,098</u>	<u>\$ 99,283</u>

The contribution received in the current year for the Casino was from another organization in the community and was transferred in accordance with AGLC guidelines.

WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

10. DEFERRED GIFT CARD CONTRIBUTIONS

Deferred gift card contributions represent restricted funds that have been received in the current year for the purchase of gift cards and gift cards that have been donated to the association that are related to subsequent periods. Changes in the deferred gift card contributions balance are as follows:

	2016	2015
Balance, beginning of year	\$ 2,105	\$ 36,327
Gift cards and contributions for card purchases received	46,582	67,360
Gift cards utilized during the year	(38,547)	(101,582)
Balance, end of year	<u>\$ 10,140</u>	<u>\$ 2,105</u>

11. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	2016	2015
Balance, beginning of year	\$ 8,688	\$ 11,231
Contributions received	52,025	-
Transfer from casino	33,999	-
Recognized as revenue	(23,374)	(2,543)
Balance, end of year	<u>\$ 71,338</u>	<u>\$ 8,688</u>

12. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL REPLACEMENT EXPENDITURE RESERVE

Deferred contributions related to capital replacement expenditure reserve represents funds that have been received from Wood Buffalo Housing & Development Corporation under the terms of the lease to be utilized for capital additions.

	2016	2015
Balance, beginning of year	\$ 58,200	\$ 61,547
Interest	393	490
Recognized as revenue	(41,281)	(3,837)
Balance, end of year	<u>\$ 17,312</u>	<u>\$ 58,200</u>

The above balance is comprised of:

Cash (Note 3)	\$ 17,312	\$ 33,200
Term deposits	-	25,000
	<u>\$ 17,312</u>	<u>\$ 58,200</u>

WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

13. INTERNALLY RESTRICTED NET ASSETS

The Board has internally restricted net assets for the following purposes:

	2016	2015
Capital building fund	\$ 727,507	\$ 134,000
2016 - 2017 operations	377,000	-
Emergency operating fund	368,000	368,000
Capital replacement expenditure reserve (internal restriction for lease agreement)	54,000	42,000
	<u>\$ 1,526,507</u>	<u>\$ 544,000</u>

14. FUNDRAISING

	2016	2015
Syncrude Food Drive and Corporate Challenge	\$ 379,129	\$ 382,284
Kitchenette sponsorship	17,500	-
Spring Food Drive	14,000	11,500
Canstruction	10,000	20,800
Empty Bowls	4,000	-
Raffles	2,198	11,673
Green Beast - Sustainaville	915	-
Purse auction	-	29,897
	<u>\$ 427,742</u>	<u>\$ 456,154</u>

15. PROGRAM

	2016	2015
Mobile Pantry	\$ 134,500	\$ 72,500
Basic Shelf	61,411	23,000
Slow Cooker	5,105	-
Housing First	-	88,767
	<u>\$ 201,016</u>	<u>\$ 184,267</u>

16. INTEREST, PARKING AND OTHER

	2016	2015
Interest	\$ 7,350	\$ 5,241
Rent, parking and other	6,001	27,414
	<u>\$ 13,351</u>	<u>\$ 32,655</u>

WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

17. FUNDRAISING

	2016	2015
Other	\$ 4,697	\$ 1,871
Spring Food Drive and Corporate Challenge	2,954	4,916
Canstruction	2,927	38,804
Syncrude Food Drive	1,932	271
Purse auction	-	15,726
Casino	-	2,144
PayPal fees	-	155
	<u>\$ 12,510</u>	<u>\$ 63,887</u>

18. INSURANCE CLAIM

The association will be filing a claim for expenses incurred and losses sustained as a result of the fire disclosed in Note 1. The amount has not been determined as of the date of the Independent Auditor's Report and no provision has been recorded in the financial statements.

19. COMMITMENT

The association is committed until January 31, 2022 under an operating lease for office premises to annual rent of \$138,000 plus occupancy expenses as defined in the lease.

The association is committed until June 30, 2017 under an operating lease for temporary storage to a total rental cost of \$112,332.

20. PENSION EXPENSE

Pension expense included in salaries and benefits is \$10,082 (2015 - \$6,755).

21. FINANCIAL INSTRUMENTS

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of July 31, 2016.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The association is exposed to credit risk on its cash, term deposits and accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts. Cash and term deposits are held at a major financial institution.

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WOOD BUFFALO FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended July 31, 2016

21. FINANCIAL INSTRUMENTS *(continued)*

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the association manages exposure through its normal operating and financing activities. The association is exposed to interest rate risk primarily through its floating interest rate on cash and term deposits.

22. SUBSEQUENT EVENTS

On August 21, 2016, a separate fire than the one disclosed in Note 18 occurred in the building used for food storage and destroyed a quantity of food inventory. The value of the damage has not been determined and no provision has been recorded in the financial statements.

23. COMPARATIVE FIGURES

The comparative have been reclassified to conform to the current year's presentation.