

Wood Buffalo Food Bank Association
Financial Statements
July 31, 2018

Management's Responsibility

To the Members of Wood Buffalo Food Bank Association:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are composed entirely of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 23, 2018

signed by "Dan Edwards"

Executive Director

Independent Auditors' Report

To the Members 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, 2018, 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.

Auditors' 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 auditors' 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 charitable organizations, the Association derives revenue from donations and fundraising, 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 the Association. Therefore, we were unable to determine whether any adjustments might be necessary to donation or fundraising revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the year ended July 31, 2018, current assets as at July 31, 2018 and net assets as at August 1, 2017 and July 31, 2018. The predecessor auditor's opinion on the financial statements for the year ended July 31, 2017 was modified because of the possible effects of a similar limitation in scope.

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, 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.

Other Matter

The financial statements for Wood Buffalo Food Bank Association for the year ended July 31, 2017 were audited by another auditor who expressed a qualified opinion on those statements on October 18, 2017 for the reasons described in the Basis for Qualified Opinion paragraph.

Fort McMurray, Alberta

October 23, 2018

MNP LLP

Chartered Professional Accountants

MNP

Wood Buffalo Food Bank Association

Statement of Financial Position

As at July 31, 2018

	2018	2017
Assets		
Current		
Cash (Note 3)	1,679,532	1,752,357
Term deposits (Note 4)	177,495	-
Accounts receivable	41,677	40,265
Goods and services tax receivable	13,692	12,152
Prepaid expenses and deposits	61,581	167,205
	1,973,977	1,971,979
Term deposits (Note 4)	-	802,838
Capital assets (Note 5)	181,427	204,252
	2,155,404	2,979,069
Liabilities		
Current		
Accounts payable and accruals	119,824	140,262
Government remittances payable	21,701	16,321
Deferred contributions related to operations (Note 6)	218,606	113,466
	360,131	270,049
Deferred contributions related to capital assets (Note 7)	100,998	146,160
	461,129	416,209
Commitments (Note 9)		
Net Assets		
Invested in capital assets	80,429	58,092
Internally restricted (Note 8)	1,300,538	2,504,768
Unrestricted	313,308	-
	1,694,275	2,562,860
	2,155,404	2,979,069

Approved on behalf of the Board

signed by "Dennine Giles"
Director

signed by "Kama Bosma"
Director

The accompanying notes are an integral part of these financial statements

Wood Buffalo Food Bank Association
Statement of Operations
For the year ended July 31, 2018

	2018	2017
Revenue		
Donated food products <i>(Note 2)</i>	989,407	2,309,953
Grants	416,072	799,439
Fundraising	399,947	758,721
Donations	395,667	1,525,717
Programs	277,309	262,276
Casino <i>(Note 6)</i>	81,330	61,808
Amortization of deferred capital contributions <i>(Note 7)</i>	45,162	37,982
Interest income	21,863	12,115
Other revenue	1,471	115,831
Recognition of revenue from capital replacement expenditures	-	17,514
	2,628,228	5,901,356
Expenses		
Donated food products - distributed <i>(Note 2)</i>	989,407	2,309,953
Salaries and benefits	792,682	726,556
Food purchases	770,015	1,054,719
Rent	326,809	320,704
Office	163,973	93,787
Supplies	101,773	118,992
Amortization	67,935	51,980
Travel	60,560	46,689
Advertising	53,400	27,645
Warehouse	48,418	21,968
Utilities	29,781	28,582
Fundraising	29,022	72,129
Insurance	27,796	12,907
Professional fees	24,626	16,706
Licences and fees	6,182	3,411
Bank charges and interest	3,530	2,628
Board	904	2,793
	3,496,813	4,912,149
Excess (deficiency) of revenue over expenses	(868,585)	989,207

The accompanying notes are an integral part of these financial statements

Wood Buffalo Food Bank Association
Statement of Changes in Net Assets

For the year ended July 31, 2018

	<i>Invested in capital assets</i>	<i>Internally restricted</i>	<i>Unrestricted</i>	2018	<i>2017</i>
Net assets, beginning of year	58,092	2,504,768	-	2,562,860	1,573,653
Excess (deficiency) of revenue over expenses	(22,773)	-	(845,812)	(868,585)	989,207
Purchases of capital assets	45,110	-	(45,110)	-	-
Transfers (Note 8)	-	(1,204,230)	1,204,230	-	-
Net assets, end of year	80,429	1,300,538	313,308	1,694,275	2,562,860

The accompanying notes are an integral part of these financial statements

Wood Buffalo Food Bank Association Statement of Cash Flows

For the year ended July 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating		
Cash received from fundraising, donations, grants and other contributions	1,670,829	3,911,644
Cash paid to suppliers and employees	(2,345,750)	(3,026,366)
Interest income	21,863	12,317
	(653,058)	897,595
Financing		
Contributions received for capital assets <i>(Note 7)</i>	-	112,804
Investing		
Purchases of guaranteed investment certificates	(1,258)	(102,838)
Proceeds on disposal of guaranteed investment certificates	626,601	-
Purchases of capital assets	(45,110)	(137,748)
	580,233	(240,586)
Increase (decrease) in cash resources	(72,825)	769,813
Cash resources, beginning of year	1,752,357	982,544
Cash resources, end of year	1,679,532	1,752,357

The accompanying notes are an integral part of these financial statements

Wood Buffalo Food Bank Association

Notes to the Financial Statements

For the year ended July 31, 2018

1. Incorporation and nature of the organization

Wood Buffalo Food Bank Association (the "Association") was incorporated under the Societies Act of Alberta on December 22, 1983. The Association operates 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. The Association receives support from the community, charitable organizations and corporate sponsorship.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Association maintains three funds in accordance with the principles of fund accounting: Unrestricted fund, Invested in capital assets fund and Internally restricted fund.

The Unrestricted fund is used to account for all revenue and expenses related to general and ancillary operations of the Association.

The Invested in capital assets fund is used to account for all capital assets of the Association and to present the flow of funds related to their acquisition and disposal and unspent capital resources.

The Internally restricted fund is used to account for net assets of the Association that have been designated by the Board of Directors for a specific purpose. These amounts are not available for other purposes without the approval of the Board of Directors.

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. 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.

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

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. During the year, the volume of donated food products acquired and distributed through operations was 380,541 pounds (2017 - 924,522) with a value of \$2.60 (2017 - \$2.50) per pound based on an estimate provided by a third party. Donated food products revenue and expense is recognized in the statement of operations in the period in which the items are received and distributed within the community. The Association does not record ending inventory.

Cash resources

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Wood Buffalo Food Bank Association
Notes to the Financial Statements
For the year ended July 31, 2018

2. **Significant accounting policies** (Continued from previous page)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the following methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Automotive	declining balance	30 %
Computer equipment	declining balance	50 %
Furniture and fixtures	straight-line	20 %
Leasehold improvements	straight-line	term of lease

Income taxes

The Association is registered as a charitable organization under the Income Tax Act (the "Act") and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Association must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions. At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenue over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Association assess impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. The value of donated food products is based on an estimate provided by a third party.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenues and expenses in the periods in which they become known.

Wood Buffalo Food Bank Association Notes to the Financial Statements

For the year ended July 31, 2018

3. Cash

	2018	2017
Unrestricted	1,585,926	1,638,891
Restricted cash - casino (Note 6)	21,574	33,077
Externall restricted for Slow Cooker program (Note 6)	72,032	80,389
	1,679,532	1,752,357

4. Term deposits

	2018	2017
Internally restricted for capital building fund (Note 8)	177,495	434,838
Internally restricted for emergency operating fund (Note 8)	-	368,000
	177,495	802,838
Less: current portion	(177,495)	-
	-	802,838

Term deposits mature between August 2018 and January 2019 and bear interest at rates ranging from 1.10% - 1.65% (2017 - average rate of 1.54%).

5. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Automotive	178,612	89,291	89,321	127,601
Computer equipment	9,386	5,858	3,528	2,881
Furniture and fixtures	129,047	57,433	71,614	66,189
Leasehold improvements	23,984	7,020	16,964	7,581
	341,029	159,602	181,427	204,252

Wood Buffalo Food Bank Association Notes to the Financial Statements

For the year ended July 31, 2018

6. Deferred contributions related to operations

Deferred contributions consist of unspent contributions externally restricted for a specific purpose. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balances are as follows:

	2018	2017
Casino		
Balance, beginning of year	33,077	28,203
Amount received during the year	42,727	66,682
Donated gaming funds	27,100	-
Amount recognized as revenue during the year	(81,330)	(61,808)
Balance, end of year	21,574	33,077
Slow Cooker Program		
Balance, beginning of year	80,389	94,895
Amount received during the year	125,000	-
Amount recognized as revenue during the year	(8,357)	(14,506)
Balance, end of year	197,032	80,389
	218,606	113,466

7. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred contributions related to capital assets are as follows:

	2018	2017
Balance, beginning of year	146,160	71,338
Amount received during the year	-	112,804
Amount recognized as revenue during the year	(45,162)	(37,982)
Balance, end of year	100,998	146,160

8. Internally restricted net assets

During the year, the Association's Board of Directors designated internally restricted net assets of \$1,204,230 (2017 - \$nil) as unrestricted in order to offset the deficiency of revenue over expenses in the current year.

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

	2018	2017
Capital building funds	1,035,507	1,035,507
Emergency operating fund	199,031	676,000
2016 - 2017 operations	-	377,000
2017 - 2018 program development start-up	-	200,000
2018 - 2019 program development continuance	-	150,261
Capital replacement expenditure reserve (internal restriction for lease agreement)	66,000	66,000
	1,300,538	2,504,768

Wood Buffalo Food Bank Association

Notes to the Financial Statements

For the year ended July 31, 2018

9. Commitments

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

10. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

The Association is exposed to credit risk through its cash, term deposits and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying value of the balances as disclosed in these financial statements. The Association manages its exposure to credit risk on cash and term deposits by placing these financial instruments with high-credit quality financial institutions. The Association assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

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. changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and the fair value of other financial assets or liabilities, known as price risk.

The Association is exposed to interest rate risk with respect to its term deposits which earn interest at a fixed rate.

11. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.