

**WOOD BUFFALO FOOD BANK ASSOCIATION**

**Financial Statements**

**Year Ended July 31, 2017**

**WOOD BUFFALO FOOD BANK ASSOCIATION**  
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**Year Ended July 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2017 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, 2017, 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, 2017 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*

# WOOD BUFFALO FOOD BANK ASSOCIATION

## Statement of Financial Position

As at July 31, 2017

	2017	2016
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 2)	\$ 1,752,358	\$ 982,544
Accounts receivable (Note 3)	52,417	456,886
Prepaid expenses (Note 4)	155,705	152,580
	<u>1,960,480</u>	<u>1,592,010</u>
<b>TERM DEPOSITS (Note 5)</b>	<b>802,838</b>	<b>700,000</b>
<b>RENT DEPOSIT</b>	<b>11,500</b>	<b>11,500</b>
<b>CAPITAL ASSETS (Note 6)</b>	<b>204,252</b>	<b>118,484</b>
	<u>\$ 2,979,070</u>	<u>\$ 2,421,994</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 153,429	\$ 626,453
Deferred contributions related to operations (Note 8)	113,466	123,098
Deferred gift card contributions	3,155	10,140
	<u>270,050</u>	<u>759,691</u>
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)</b>	<b>146,160</b>	<b>71,338</b>
<b>DEFERRED CONTRIBUTIONS RELATED TO CAPITAL REPLACEMENT EXPENDITURE RESERVE (Note 10)</b>	<b>-</b>	<b>17,312</b>
	<u>416,210</u>	<u>848,341</u>
<b>NET ASSETS</b>		
Invested in capital assets	58,092	47,146
Internally restricted (Note 11)	2,504,768	1,526,507
	<u>2,562,860</u>	<u>1,573,653</u>
	<u>\$ 2,979,070</u>	<u>\$ 2,421,994</u>

ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

**KING & COMPANY**  
CHARTERED ACCOUNTANTS

# WOOD BUFFALO FOOD BANK ASSOCIATION

## Statement of Operations

Year Ended July 31, 2017

	2017	2016
<b>REVENUE</b>		
Donated food products (Note 1)	\$ 2,309,953	\$ 1,380,194
Donations	1,525,717	900,038
Grants	799,439	1,200,513
Fundraising (Note 12)	758,721	427,742
Program (Note 13)	262,276	201,016
Interest, parking and other (Note 14)	127,946	13,351
Casino (Note 8)	61,808	21,093
Amortization of deferred contributions related to capital assets (Note 9)	37,982	23,374
Recognition of revenue from capital replacement expenditures (Note 10)	17,514	41,281
	<b>5,901,356</b>	<b>4,208,602</b>
<b>EXPENSES</b>		
Donated food products distributed (Note 1)	2,309,953	1,380,194
Food purchases	1,054,719	692,942
Salaries and benefits	726,556	620,938
Rent	320,704	169,519
Supplies	122,279	119,241
Office	93,787	93,265
Fundraising	72,129	12,631
Amortization of capital assets	51,980	25,760
Travel	43,401	16,609
Utilities	28,582	16,421
Advertising and promotion	27,645	25,407
Warehouse	21,968	195,203
Professional fees	16,706	13,556
Insurance	12,907	10,308
Licenses and fees	3,411	2,651
Board	2,793	1,616
Interest and bank charges	2,629	2,622
Bad debts	-	1,805
	<b>4,912,149</b>	<b>3,400,688</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 989,207</b>	<b>\$ 807,914</b>

**WOOD BUFFALO FOOD BANK ASSOCIATION****Statement of Changes in Net Assets****Year Ended July 31, 2017**

	Invested in Capital Assets	Internally Restricted (Note 11)	Unrestricted	2017	2016
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 47,146	\$ 1,526,507	\$ -	\$ 1,573,653	\$ 765,739
Excess (deficiency) of revenue over expenses	(13,998)	-	1,003,205	989,207	807,914
Purchase of capital assets, net	24,944	-	(24,944)	-	-
Transfers	-	978,261	(978,261)	-	-
<b>NET ASSETS - END OF YEAR</b>	\$ 58,092	\$ 2,504,768	\$ -	\$ 2,562,860	\$ 1,573,653

# WOOD BUFFALO FOOD BANK ASSOCIATION

## Statement of Cash Flows

Year Ended July 31, 2017

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Cash receipts from fundraising, donations, program, grants, parking and other	\$ 3,911,644	\$ 2,429,752
Interest received	12,317	7,350
Interest paid	(2,627)	(2,620)
Cash paid to suppliers and employees	(3,023,738)	(1,563,698)
Cash flow from operating activities	<u>897,596</u>	<u>870,784</u>
<b>FINANCING AND INVESTING ACTIVITIES</b>		
Contributions for capital assets	112,804	52,025
Purchase of term deposits	(102,838)	(173,000)
Purchase of capital assets	(137,748)	(65,929)
Cash flow used by financing and investing activities	<u>(127,782)</u>	<u>(186,904)</u>
<b>INCREASE IN CASH</b>	<b>769,814</b>	<b>683,880</b>
<b>CASH - BEGINNING OF YEAR</b>	<b><u>982,544</u></b>	<b><u>298,664</u></b>
<b>CASH - END OF YEAR</b>	<b><u>\$ 1,752,358</u></b>	<b><u>\$ 982,544</u></b>

# WOOD BUFFALO FOOD BANK ASSOCIATION

## Notes to Financial Statements

Year Ended July 31, 2017

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### 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. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

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

### 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 924,522 pounds (2016 - 552,077) 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.

### 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

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.

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# WOOD BUFFALO FOOD BANK ASSOCIATION

## Notes to Financial Statements

Year Ended July 31, 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### 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.

### 2. CASH

Cash is restricted for the following:

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ -	\$ 15,627
Internally restricted net assets (Note 11)	<b>1,638,892</b>	826,507
Externally restricted for slow cooker program (Note 8)	<b>80,389</b>	94,895
Externally restricted for expenses approved by the Alberta Gaming and Liquor Commission (AGLC) (casino funds) (Note 8)	<b>33,077</b>	28,203
Externally restricted for capital replacement expenditure reserve (Note 10)	-	17,312
	<u>\$ 1,752,358</u>	<u>\$ 982,544</u>

# WOOD BUFFALO FOOD BANK ASSOCIATION

## Notes to Financial Statements

Year Ended July 31, 2017

### 3. ACCOUNTS RECEIVABLE

	2017	2016
Grant	\$ 18,135	\$ 21,654
Regional Municipality of Wood Buffalo	17,030	28,467
Goods and services tax	12,152	19,368
Donation	5,100	10,000
Alberta Food Banks	-	377,397
	<u>\$ 52,417</u>	<u>\$ 456,886</u>

### 4. PREPAID EXPENSES

	2017	2016
Rent	\$ 112,332	\$ 112,332
Salaries and benefits	21,938	19,753
Insurance	16,739	9,751
Gift cards	3,504	10,545
Other	1,192	199
	<u>\$ 155,705</u>	<u>\$ 152,580</u>

### 5. TERM DEPOSITS

	2017	2016
Internally restricted for capital building fund (Note 11)	\$ 434,838	\$ 332,000
Internally restricted for emergency operating fund (Note 11)	368,000	368,000
	<u>\$ 802,838</u>	<u>\$ 700,000</u>

Term deposits are a mix of redeemable and non-redeemable, maturing between August 2017 and January 2019, with an average interest rate of 1.54% (2016 - 1.34%).

### 6. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 6,602	\$ 3,721	\$ 2,881	\$ 1,789
Furniture and fixtures	101,217	35,028	66,189	63,336
Leasehold improvements	9,488	1,907	7,581	1,527
Motor vehicles	178,612	51,011	127,601	51,832
	<u>\$ 295,919</u>	<u>\$ 91,667</u>	<u>\$ 204,252</u>	<u>\$ 118,484</u>

# WOOD BUFFALO FOOD BANK ASSOCIATION

## Notes to Financial Statements

Year Ended July 31, 2017

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade payables	\$ 123,429	\$ 602,965
Government remittances	16,321	-
Vacation pay	13,679	23,488
	<u>\$ 153,429</u>	<u>\$ 626,453</u>

### 8. DEFERRED CONTRIBUTIONS RELATED TO OPERATIONS

Deferred contributions represent restricted operating funding received in the current year that is related to subsequent periods. The following is a summary of the changes for the period ending July 31:

	2017	2016
<b>Casino</b>		
Balance, beginning of year	\$ 28,203	\$ 51,783
Contributions	66,682	31,512
Recognized as revenue	(61,808)	(21,093)
Transfer to deferred contributions related to capital assets	-	(33,999)
Balance, end of year	<u>33,077</u>	<u>28,203</u>
<b>Slow Cooker Program</b>		
Balance, beginning of year	\$ 94,895	\$ -
Contributions	-	100,000
Recognized as revenue (Note 13)	(14,506)	(5,105)
Balance, end of year	<u>80,389</u>	<u>94,895</u>
<b>Grand Total</b>	<u>\$ 113,466</u>	<u>\$ 123,098</u>

### 9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent restricted funding for the purchase of capital assets. The following is a summary of the changes for the period ending July 31:

	2017	2016
Balance, beginning of year	\$ 71,338	\$ 8,688
Contributions received	112,804	52,025
Transfer from casino	-	33,999
Recognized as revenue	(37,982)	(23,374)
Balance, end of year	<u>\$ 146,160</u>	<u>\$ 71,338</u>

## WOOD BUFFALO FOOD BANK ASSOCIATION

### Notes to Financial Statements

Year Ended July 31, 2017

#### 10. 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.

	2017	2016
Balance, beginning of year	\$ 17,312	\$ 58,200
Interest	202	393
Recognized as revenue	(17,514)	(41,281)
Balance, end of year	\$ -	\$ 17,312

#### 11. INTERNALLY RESTRICTED NET ASSETS

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

	2017	2016
Capital building fund	\$ 1,035,507	\$ 727,507
Emergency operating fund	676,000	368,000
2016 - 2017 operations	377,000	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	54,000
	\$ 2,504,768	\$ 1,526,507

#### 12. FUNDRAISING

	2017	2016
Syncrude Food Drive and Corporate Challenge	\$ 729,861	\$ 379,129
Empty Bowls	15,850	4,000
Spring Food Drive	9,000	14,000
Raffles	2,100	2,198
Kitchenette sponsorship	1,710	17,500
Canstruction	200	10,000
Green Beast - Sustainaville	-	915
	\$ 758,721	\$ 427,742

## WOOD BUFFALO FOOD BANK ASSOCIATION

### Notes to Financial Statements

Year Ended July 31, 2017

#### 13. PROGRAM

	<u>2017</u>	<u>2016</u>
Mobile Pantry	\$ 150,000	\$ 134,500
Basic Shelf	97,770	61,411
Slow Cooker (Note 8)	14,506	5,105
	<u>\$ 262,276</u>	<u>\$ 201,016</u>

#### 14. INTEREST, PARKING AND OTHER

	<u>2017</u>	<u>2016</u>
Insurance recoveries	\$ 106,951	\$ -
Interest, rent, parking and other	20,995	13,351
	<u>\$ 127,946</u>	<u>\$ 13,351</u>

#### 15. 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, 2018 under an operating lease for temporary storage to a total rental cost of \$112,332.

#### 16. PENSION EXPENSE

Pension expense included in salaries and benefits is \$11,806 (2016 - \$10,082).

#### 17. 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, 2017.

##### 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, 2017

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#### 17. 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.

#### 18. COMPARATIVE FIGURES

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