

**Wood Buffalo Food Bank Association**  
**Financial Statements**  
*July 31, 2019*



# Independent Auditor's Report

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To the Members of Wood Buffalo Food Bank Association:

## Qualified Opinion

We have audited the financial statements of Wood Buffalo Food Bank Association (the "Association"), which comprise the statement of financial position as at July 31, 2019, 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 possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at July 31, 2019, 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 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 donations or fundraising revenue, deficiency of revenue over expenses and cash flows from operations for the years ended July 31, 2019 and 2018, current assets as at July 31, 2019 and 2018, and net assets as at August 1 and July 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended July 31, 2018 was also modified accordingly because of the possible effects of this limitation in scope.

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 Association 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.

## Other Information

Management is responsible for the other information. The other information comprises the Association's annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

## 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 Association'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 Association'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 Association 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.

Fort McMurray, Alberta

October 23, 2019

*MNP LLP*

Chartered Professional Accountants



**Wood Buffalo Food Bank Association**  
**Statement of Operations**  
*For the year ended July 31, 2019*

	<b>2019</b>	<b>2018</b>
<b>Revenue</b>		
Donated food products <i>(Note 2)</i>	<b>1,620,687</b>	1,296,128
Grants	<b>667,841</b>	416,072
Donations	<b>374,813</b>	395,667
Fundraising	<b>329,581</b>	399,947
Programs	<b>187,503</b>	277,309
Other revenue	<b>85,610</b>	1,471
Casino <i>(Note 5)</i>	<b>56,758</b>	81,330
Amortization of deferred capital contributions <i>(Note 6)</i>	<b>31,783</b>	45,162
Interest income	<b>18,939</b>	21,863
	<b>3,373,515</b>	2,934,949
<b>Expenses</b>		
Donated food products - distributed <i>(Note 2)</i>	<b>1,620,687</b>	1,296,128
Salaries and benefits	<b>646,140</b>	792,682
Food purchases	<b>452,156</b>	770,015
Rent	<b>337,019</b>	326,809
Supplies	<b>68,979</b>	101,773
Amortization	<b>56,988</b>	67,935
Office	<b>55,864</b>	163,973
Travel	<b>29,190</b>	60,560
Utilities	<b>29,077</b>	29,781
Fundraising	<b>25,853</b>	29,022
Warehouse	<b>23,979</b>	48,418
Professional fees	<b>18,000</b>	24,626
Insurance	<b>12,773</b>	27,796
Bad debts	<b>8,530</b>	-
Advertising	<b>7,823</b>	53,400
Licences and fees	<b>4,702</b>	6,182
Bank charges and interest	<b>3,290</b>	3,530
Board	<b>2,598</b>	904
	<b>3,403,648</b>	3,803,534
<b>Deficiency of revenue over expenses</b>	<b>(30,133)</b>	<b>(868,585)</b>

*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, 2019*

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	<i>Invested in capital assets</i>	<i>Internally restricted</i>	<i>Unrestricted</i>	<b>2019</b>	<i>2018</i>
<b>Net assets, beginning of year</b>	<b>80,429</b>	<b>1,300,538</b>	<b>313,308</b>	<b>1,694,275</b>	2,562,860
<b>Deficiency of revenue over expenses</b>	<b>(25,205)</b>	-	<b>(4,928)</b>	<b>(30,133)</b>	(868,585)
<b>Net assets, end of year</b>	<b>55,224</b>	<b>1,300,538</b>	<b>308,380</b>	<b>1,664,142</b>	1,694,275

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*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, 2019

	2019	2018
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Cash received from fundraising, donations, grants and other contributions	1,551,173	1,670,829
Cash paid to suppliers and employees	(1,693,183)	(2,345,750)
Interest income	18,939	21,863
	<b>(123,071)</b>	<b>(653,058)</b>
<b>Investing</b>		
Purchases of guaranteed investment certificates	-	(1,258)
Proceeds on disposal of term deposits	177,495	626,601
Purchases of capital assets	-	(45,110)
	<b>177,495</b>	<b>580,233</b>
<b>Increase (decrease) in cash resources</b>	<b>54,424</b>	<b>(72,825)</b>
<b>Cash resources, beginning of year</b>	<b>1,679,532</b>	<b>1,752,357</b>
<b>Cash resources, end of year</b>	<b>1,733,956</b>	<b>1,679,532</b>

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, 2019

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### 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 623,341 pounds (2018 - 380,541) with a value of \$2.60 (2018 - \$2.60) 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, 2019*

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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.

	<b>Method</b>	<b>Rate</b>
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 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 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 deficiency of revenue over 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, 2019*

### 3. Cash

	2019	2018
Unrestricted	1,453,601	1,585,926
Restricted cash - casino (Note 5)	12,223	21,574
Externally restricted for Slow Cooker Program (Note 5)	268,132	72,032
	<b>1,733,956</b>	<b>1,679,532</b>

### 4. Capital assets

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Automotive	178,612	116,087	62,525	89,321
Computer equipment	9,386	7,622	1,764	3,528
Furniture and fixtures	129,047	80,748	48,299	71,614
Leasehold improvements	23,984	12,133	11,851	16,964
	<b>341,029</b>	<b>216,590</b>	<b>124,439</b>	<b>181,427</b>

### 5. 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:

	2019	2018
<b>Casino</b>		
Balance, beginning of year	21,574	33,077
Amount received during the year	36,657	42,727
Donated gaming funds	10,750	27,100
Amount recognized as revenue during the year	(56,758)	(81,330)
Balance, end of year	<b>12,223</b>	<b>21,574</b>
<b>Slow Cooker Program</b>		
Balance, beginning of year	197,032	80,389
Amount received during the year	100,000	125,000
Amount recognized as revenue during the year	(28,900)	(8,357)
Balance, end of year	<b>268,132</b>	<b>197,032</b>
	<b>280,355</b>	<b>218,606</b>

# Wood Buffalo Food Bank Association

## Notes to the Financial Statements

For the year ended July 31, 2019

### 6. 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:

	2019	2018
Balance, beginning of year	100,998	146,160
Amount recognized as revenue during the year	<b>(27,754)</b>	(45,162)
Balance, end of year	<b>73,244</b>	100,998

### 7. Internally restricted net assets

During the year, the Association's Board of Directors designated internally restricted net assets of \$nil (2018 - \$1,204,230) 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:

	2019	2018
Capital building funds	1,035,507	1,035,507
Emergency operating fund	199,031	199,031
Capital replacement expenditure reserve (internal restriction for lease agreement)	66,000	66,000
	<b>1,300,538</b>	1,300,538

### 8. 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.

The Association is also committed until June 30, 2020 under an operating lease for warehouse premises for annual rent of \$48,135 plus utility costs.

### 9. 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 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. At July 31, 2019, one source accounts for 95% (2018 - no individual source accounted for greater than 10%) of the Association's accounts receivable.