

Financial Statements of

QUEST OUTREACH SOCIETY

And Independent Auditors' Report thereon

Year ended August 31, 2021




INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Quest Outreach Society

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of Quest Outreach Society (the "Entity"), which comprise:

- the statement of financial position as at August 31, 2021
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

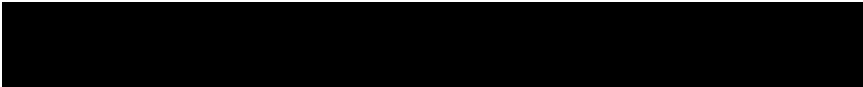
(hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2021, and its results of 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 not-for-profit organizations, the Entity derives revenue from donations, 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets and deferred contributions reported in the statements of financial position as at August 31, 2021 and August 31, 2020
 - the donations revenue and excess of revenue over expenses reported in the statements of operations for the years ended August 31, 2021 and August 31, 2020
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- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended August 31, 2021 and August 31, 2020
- the excess of revenue over expenses reported in the statements of cash flows for the years ended August 31, 2021 and August 31, 2020.

Our opinion on the financial statements for the year ended August 31, 2020 was qualified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **“Auditors’ Responsibilities for the Audit of the Financial Statements”** section of our auditors’ report.

We are independent of the Entity 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 Entity’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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ 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 auditors’ 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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding period.

Chartered Professional Accountants
Vancouver, Canada

QUEST OUTREACH SOCIETY

Statement of Financial Position


August 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,270,942	\$ 1,343,237
Accounts receivable	27,982	44,126
Prepaid expenses	97,041	47,037
	<u>1,395,965</u>	<u>1,434,400</u>
Tangible capital assets (note 4)	1,744,531	1,804,519
	<u>\$ 3,140,496</u>	<u>\$ 3,238,919</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 191,125	\$ 153,501
Deferred contributions (note 6)	97,649	178,771
	<u>288,774</u>	<u>332,272</u>
Deferred capital contributions (note 7)	150,586	220,674
	<u>439,360</u>	<u>552,946</u>
Net assets:		
Invested in tangible capital assets (note 8(a))	1,593,945	1,583,845
Unrestricted	1,107,191	1,102,128
	<u>2,701,136</u>	<u>2,685,973</u>
Commitments (note 9)		
	<u>\$ 3,140,496</u>	<u>\$ 3,238,919</u>

See accompanying notes to financial statements.

 Director
Board President.

QUEST OUTREACH SOCIETY

Statement of Operations

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Grocery and online market	\$ 2,191,524	\$ 2,310,737
Donations:		
Government and foundations	327,629	304,069
Public	163,359	380,123
Amortization of deferred capital contributions (note 7)	81,674	92,359
Other income (note 12)	45,601	27,316
	<u>2,809,787</u>	<u>3,114,604</u>
Expenses:		
Wages, contractors and benefits	1,793,138	1,678,313
Rent and utilities	320,810	340,038
Amortization	88,757	122,608
Vehicle operations	134,925	151,820
Garbage and cleaning supplies	88,225	86,100
Bank charges and interest	65,931	63,269
Repairs and maintenance	63,632	61,826
Office	60,887	43,036
Food	49,740	186,651
Insurance	24,851	17,932
Professional fees	99,346	35,174
Training	4,247	1,313
Advertising	135	1,850
	<u>2,794,624</u>	<u>2,789,930</u>
Excess of revenue over expenses	\$ 15,163	\$ 324,674

See accompanying notes to financial statements.

QUEST OUTREACH SOCIETY

Statement of Changes in Net Assets

Year ended August 31, 2021, with comparative information for 2020

	Invested in tangible capital assets (note 8)	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ 1,583,845	\$ 1,102,128	\$ 2,685,973	\$ 2,361,299
Excess of revenue over expenses	(7,083)	22,246	15,163	324,674
Transfer for purchase of tangible capital assets	17,183	(17,183)	-	-
Balance, end of year	\$ 1,593,945	\$ 1,107,191	\$ 2,701,136	\$ 2,685,973

See accompanying notes to financial statements.

QUEST OUTREACH SOCIETY

Statement of Cash Flows

Year ended August 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 15,163	\$ 324,674
Items not affecting cash:		
Amortization of deferred capital contributions	(81,674)	(92,359)
Amortization of tangible capital assets	88,757	122,608
	22,246	354,923
Changes in non-cash operating working capital:		
Accounts receivable	16,144	(22,048)
Prepaid expenses	(50,004)	3,455
Accounts payable and accrued liabilities	37,624	(11,087)
Deferred contributions	(71,536)	(87,682)
	(45,526)	237,561
Financing:		
Contributions received for capital	2,000	72,900
Investing:		
Purchase of tangible capital assets	(28,769)	(34,824)
Increase (decrease) in cash and cash equivalents	(72,295)	275,637
Cash and cash equivalents, beginning of year	1,343,237	1,067,600
Cash and cash equivalents, end of year	\$ 1,270,942	\$ 1,343,237
Non-cash transactions:		
In-kind tangible capital asset contributions	\$ -	\$ 15,399

See accompanying notes to financial statements.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2021

1. Nature of operations:

Quest Outreach Society (the “Society”) is a not-for-profit organization incorporated on June 15, 1992 pursuant to the *Society Act* (British Columbia) and then transitioned to the *Societies Act* (British Columbia). The Society is a registered charity pursuant to the *Income Tax Act* and exempt from income taxes.

The Society's primary objectives are to reduce hunger with dignity, build community, and foster sustainability. Its area of service is currently the Lower Mainland in British Columbia which includes five low-cost not-for-profit grocery markets in Vancouver (two stores), Surrey (one store), Burnaby (one store) and North Vancouver (one store).

The objectives are met by engaging in these activities:

- To rescue food from many sectors of the local food industry that might otherwise go to waste unnecessarily, and redistribute it to individuals who face food security challenges;
- To manage a food distribution system which includes a warehouse, low-cost grocery markets, and delivery trucks to ensure food is reallocated efficiently to individuals and partners in the community;
- To partner with social service agencies to help their clients access healthy, affordable food in a dignified manner, freeing up the capacity of these agencies to focus their energies and resources on their respective core strengths in the local community;
- To provide opportunities for these clients to engage in volunteer work and training workshops at the Society's facilities, and thus rebuild the capacity of these individuals to re-integrate into the workforce;
- To operate its food distribution system in a proactive manner to reduce food waste from reaching landfills and thus reducing greenhouse gas emissions, including through partnerships with local businesses and using environmentally-conscious practices resulting in more effective recycling programs for non-organic materials.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. While the ultimate duration and magnitude of the impact on the economy are not known at this time, the Society's operations and financial condition are anticipated to remain stable.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2021

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - *Accounting*. The significant accounting policies are as follows:

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Restricted non-capital contributions, including gaming, are recognized as revenue in the year in which the related expenses are incurred. Restricted capital contributions received specifically for the acquisition of tangible capital assets are initially recorded as deferred contributions and transferred to and recorded as deferred capital contributions when the amounts have been spent on tangible capital assets. Deferred capital contributions are amortized to revenue on the same basis as the related tangible capital assets are amortized.

Unrestricted contributions are recognized in the year in which funds are received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Grocery revenue is recognized at the point of sale in the grocery store, and online market revenue is recognized when the product is shipped to the customer.

(b) Contributed services and materials:

The Society receives significant amounts of donated food which are subsequently sold or distributed at either a discounted cost recovery basis or at no cost. Donated food received is not recognized in the financial statements and no value has been assigned to the inventory on hand at year-end due to the difficulty in reasonably estimating their fair value.

The Society receives significant volunteer hours to assist in carrying out its service delivery activities. Due to the difficulty in reasonably estimating their fair value, these contributed services are not recognized in the financial statements.

The Society receives other contributed services and materials which are recorded when a fair value can be reasonably estimated and when the services and materials are used in the normal course of the Society's operations and would otherwise have been purchased.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2021

2. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are initially recorded at cost. Donated tangible capital assets are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined. Tangible capital assets, except for land, are amortized over their estimated useful lives using the straight-line method at the following annual rates:

Asset	Rate
Building	30 years
Leasehold improvements	Lesser of lease term and useful life
Office equipment	5 years
Automotive equipment	3 years
Forklift	3 years
Kitchen equipment	5 years
Computer equipment	3 years

Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. The Society regularly reviews for impairment of its property and equipment whenever events or changes in circumstances indicate that the asset no longer has long-term service potential to the Society or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2021

2. Significant accounting policies (continued):

(e) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(g) Government assistance:

The Society periodically applies for financial assistance under available government incentive programs. Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets. Government assistance related to current expenses and revenue is included in the determination of excess of revenue over expenses for the period.

(h) Leases:

Leases entered into are classified as either capital or operating. Leases that transfer substantially all of the benefits and risks associated with ownership are recorded as an acquisition of an asset and incurrence of an obligation. Assets under capital lease are amortized in a manner consistent with other assets owned by the Society. All other leases are accounted for as operating wherein rental payments are expensed as incurred.

3. Operating line of credit:

The Society has an operating line of credit from ██████████ with a limit of \$100,000 at prime plus 1.00%. As at August 31, 2021 the Society has no funds drawn against its line of credit (2020 - nil).

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2021

4. Tangible capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,477,853	\$ -	\$ 1,477,853	\$ 1,477,853
Building	266,444	83,350	183,094	190,880
Leasehold improvements	355,674	349,578	6,096	42,675
Office equipment	303,126	248,024	55,102	74,084
Automotive equipment	152,813	152,813	-	-
Forklift	23,970	20,548	3,422	4,107
Kitchen equipment	158,533	154,054	4,479	5,759
Computer equipment	54,139	39,654	14,485	9,161
	\$ 2,792,552	\$ 1,048,021	\$ 1,744,531	\$ 1,804,519

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,310 (2020 - \$2,140) for payroll-related taxes.

6. Deferred contributions:

Deferred contributions represent restricted contributions related to the grocery stores, expenses of future periods, and for tangible capital asset purchases.

	2021	2020
Balance, beginning of year	\$ 178,771	\$ 197,484
Restricted contributions received	112,570	215,381
Amounts earned and recognized as revenue	(159,606)	(230,163)
Repayment of grant	(22,500)	-
Restricted contributions spent on tangible capital assets (note 7)	(11,586)	(3,931)
Balance, end of year	\$ 97,649	\$ 178,771

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of funds received and restricted for and spent on tangible capital assets.

	2021	2020
Balance, beginning of year	\$ 220,674	\$ 293,703
Restricted contributions spent on tangible capital assets (note 6)	11,586	3,931
In-kind tangible capital asset contributions	-	15,399
Amortization of deferred capital contributions to revenue	(81,674)	(92,359)
Balance, end of year	\$ 150,586	\$ 220,674

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2021

8. Net assets invested in tangible capital assets:

(a) Net assets invested in tangible capital assets is calculated as follows:

	2021	2020
Tangible capital assets	\$ 1,744,531	\$ 1,804,519
Amounts funded by deferred capital contributions	(150,586)	(220,674)
	\$ 1,593,945	\$ 1,583,845

(b) Included in excess of revenue over expenses related to net assets invested in tangible capital assets is the following:

	2021	2020
Amortization of deferred capital contributions	\$ 81,674	\$ 92,359
Amortization of tangible capital assets	(88,757)	(122,608)
	\$ (7,083)	\$ (30,249)

(c) Change in net assets invested in tangible capital assets:

	2021	2020
Purchase of tangible capital assets	\$ 28,769	\$ 34,824
Amounts funded by deferred capital contributions	(11,586)	(3,931)
	\$ 17,183	\$ 30,893

9. Commitments:

The Society is committed to make monthly lease payments for premises and trucks as follows:

2022	\$ 212,426
2023	127,551
2024	102,271
2025	70,872
2026	56,480
Thereafter	53,084
	\$ 622,684

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2021

10. Financial risks:

The Society is exposed to various risks through its financial instruments.

(a) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to its accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

The Society believes that it is not exposed to significant currency, interest rate, market, or other price risk arising from its financial instruments.

There has been no change to the risk exposure from 2020 other than the potential impact related to COVID-19 pandemic (note 1).

11. Remuneration disclosure under Societies Act (British Columbia):

For the year ended August 31, 2021, the Society paid total remuneration of \$260,698 (2020 - \$300,223) to three (2020 - three) employees, each of whom received total annual remuneration of \$75,000 or greater. There were no contractors for service (2020 - nil) that were remunerated greater than the \$75,000 threshold.

No remuneration was paid to any member of the board of directors.

12. Other income:

Included in other income for the year ended August 31, 2021 is government assistance related to the Canada Emergency Wage Subsidy of \$31,696 (2020 – nil) and Temporary Wage Subsidy of nil (2020 – \$25,000) received from the Government of Canada to assist with the COVID-19 pandemic (note 1).