

RED DEER FOOD BANK SOCIETY

FINANCIAL STATEMENTS

JULY 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Red Deer Food Bank Society

Qualified Opinion

We have audited the accompanying financial statements of Red Deer Food Bank Society ("the Society"), which comprise the statement of financial position as at July 31, 2023, 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.

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 the Society as at July 31, 2023, 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 not-for-profit organizations, the Society 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 the Society. Therefore, we were not able to determine whether any adjustments might be necessary to food donations-in-kind, donations, fundraising events, excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended July 31, 2023, and current assets and net assets as at July 31, 2023.

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 report. We are independent of the Society 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 information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

3.

In preparing the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 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 Society'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 Society'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 auditors' report. However, future events or conditions may cause the Society 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.

Red Deer County, Alberta
September 27, 2023

Pivotal LLP

Chartered Professional Accountants

RED DEER FOOD BANK SOCIETY
STATEMENT OF FINANCIAL POSITION
JULY 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 113,424	\$ 200,892
Restricted cash and cash equivalents (Note 3)	410,905	540,594
Accounts receivable	27,254	22,593
Government remittances receivable	6,444	17,971
Prepaid expenses and deposits	<u>19,987</u>	<u>16,528</u>
	578,014	798,578
CAPITAL ASSETS (Note 4)	<u>1,870,749</u>	<u>1,761,566</u>
	<u>\$ 2,448,763</u>	<u>\$ 2,560,144</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 159,287	\$ 122,574
Government remittances payable	28,019	-
Deferred revenue (Note 6)	<u>17,339</u>	<u>50,681</u>
	204,645	173,255
DEFERRED CAPITAL CONTRIBUTIONS (Note 7)	<u>104,600</u>	<u>60,943</u>
TOTAL LIABILITIES	<u>309,245</u>	<u>234,198</u>
NET ASSETS		
NET INVESTMENT IN CAPITAL ASSETS	1,766,149	1,700,623
UNRESTRICTED NET ASSETS	(21,928)	232,258
RESTRICTED NET ASSETS	<u>395,297</u>	<u>393,065</u>
	<u>2,139,518</u>	<u>2,325,946</u>
	<u>\$ 2,448,763</u>	<u>\$ 2,560,144</u>
CONTINGENT LIABILITIES (Note 8)		
COMMITMENTS (Note 9)		

On Behalf of the Board of Directors:

_____ Director

_____ Director

See accompanying notes to financial statements

RED DEER FOOD BANK SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JULY 31, 2023

	Net Investment in Capital Assets	Unrestricted Net Assets	Restricted Net Assets	Total 2023	Total 2022
Balance, beginning of the period	\$ 1,700,623	\$ 232,258	\$ 393,065	\$ 2,325,946	\$ 2,151,246
Excess (deficiency) of revenues over expenses	-	(186,428)	-	(186,428)	174,700
Amortization of capital assets	(156,483)	156,483	-	-	-
Purchase of capital assets	265,666	(265,666)	-	-	-
Amortization of deferred capital contributions	18,394	(18,394)	-	-	-
Capital contributions received	(62,051)	62,051	-	-	-
Transfer from restricted net assets	-	(2,232)	2,232	-	-
Balance, end of the period	<u>\$ 1,766,149</u>	<u>\$ (21,928)</u>	<u>\$ 395,297</u>	<u>\$ 2,139,518</u>	<u>\$ 2,325,946</u>

See accompanying notes to financial statements

RED DEER FOOD BANK SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED JULY 31, 2023

	2023	2022
REVENUE		
Food donations-in-kind (Note 10)	\$ 3,673,813	\$ 3,087,592
Donations	1,142,842	924,151
Grants	316,397	387,281
Food services	169,128	21,109
Fundraising events	29,143	20,194
Rental income	17,617	16,251
Amortization of deferred capital contributions	18,394	6,771
Interest income	12,933	2,993
	<u>5,380,267</u>	<u>4,466,342</u>
EXPENSES		
Advertising and promotion	71,025	37,706
Amortization of capital assets	156,483	91,267
Business fees and permits	7,716	348
Condominium fees	15,086	15,221
Courses and training	2,780	1,291
Culinary services	134,877	42,136
Food donations-in-kind (Note 10)	3,673,813	3,087,592
Food program	339,651	255,471
Greenhouse	11,953	-
Insurance	10,394	8,963
Interest and bank charges	5,695	2,941
Interest on long term debt	-	132
Memberships, licenses, and fees	5,595	4,914
Office	23,126	17,579
Professional fees	51,190	54,927
Repairs and maintenance	53,593	37,399
Telephone	10,425	8,169
Travel and meetings	8,734	1,113
Utilities	28,075	23,339
Vehicle operating	30,191	28,835
Wages and benefits	926,293	572,299
	<u>5,566,695</u>	<u>4,291,642</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (186,428)	\$ 174,700

See accompanying notes to financial statements

RED DEER FOOD BANK SOCIETY

STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2023

	2023	2022
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ (186,428)	\$ 174,700
Add (deduct) non-cash items:		
Amortization of capital assets	156,483	91,267
Amortization of deferred capital contributions	<u>(18,394)</u>	<u>(6,771)</u>
	(48,339)	259,196
Net changes in non-cash working capital:		
Accounts receivable	(4,661)	(15,242)
Government remittances receivable	11,528	(16,016)
Prepaid expenses and deposits	(3,459)	(9,640)
Accounts payable and accrued liabilities	57,700	25,610
Government remittances payable	28,019	-
Deferred revenue	<u>(33,342)</u>	<u>(146,375)</u>
Cash from operating activities	<u>7,446</u>	<u>97,533</u>
FINANCING		
Repayment of long term debt	-	(38,868)
Capital contributions received	<u>62,051</u>	<u>67,714</u>
Cash from financing activities	<u>62,051</u>	<u>28,846</u>
INVESTMENTS		
Purchase of capital assets	<u>(286,654)</u>	<u>(1,057,293)</u>
Cash used for investment activities	<u>(286,654)</u>	<u>(1,057,293)</u>
DECREASE IN CASH	(217,157)	(930,914)
CASH, BEGINNING OF YEAR	<u>741,486</u>	<u>1,672,400</u>
CASH, END OF YEAR	\$ <u>524,329</u>	\$ <u>741,486</u>
CASH COMPRISED OF:		
Cash and cash equivalents	\$ 113,424	\$ 200,892
Restricted cash and cash equivalents	<u>410,905</u>	<u>540,594</u>
	\$ <u>524,329</u>	\$ <u>741,486</u>

NON-CASH TRANSACTIONS (Note 11)

See accompanying notes to financial statements

RED DEER FOOD BANK SOCIETY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023

1. STATUS AND PURPOSE OF THE ORGANIZATION

Red Deer Food Bank Society is a charitable not-for-profit society that was incorporated April 11, 1984, under the Societies Act of the Province of Alberta. The Society collects, warehouses, and distributes food to economically challenged people in the Central Alberta region.

The Society is exempt from income tax under Section 149 of the Canadian Income Tax Act.

The directors and officers of the Society are elected volunteers who can not be paid in any form for their services under the by-laws of the Society.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook* and include the following significant accounting policies:

Cash and Cash Equivalents

The policy of the Society is to disclose bank balances and petty cash under cash and cash equivalents.

Inventory

Due to the nature of the Society's operations, and in common with other food bank organizations, it is the Society's policy to not record inventory in the financial statements because it is primarily donated.

Capital Assets

Capital assets are accounted for at cost. Amortization is based on the estimated useful life of each asset, using the following rates and methods:

Buildings	- 5% declining balance
Computer equipment	- 30% declining balance
Equipment	- 20% declining balance
Vehicles	- 20% declining balance

One half of the normal rates are applied in the year of acquisition.

Contributed Services

The Society would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

RED DEER FOOD BANK SOCIETY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the current year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets, accrued liabilities, and the assessment of the value of donated food and other products. Actual results could differ from those estimates.

Financial Instruments

Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalents, restricted cash and cash equivalents, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Society does not currently hold any financial assets measured at fair value.

Internally Restricted Reserve

The Society established an internally restricted reserve for specific purposes as indicated below and since the funds have restricted uses, Board approval is required to access these funds.

To ensure operating funds are available to the Society in the event of funding shortfalls, a motion was made and carried that the reserve balance would be at minimum 50% of the prior year's cash expenditures.

To provide for the replacement of future capital assets funds are added to the reserve as determined by the Board.

Interest earned from the operating reserve is reinvested into the reserve.

RED DEER FOOD BANK SOCIETY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Society 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.

Donations are recorded as income when received. Unless specifically restricted by the donor, all contributions are considered to be unrestricted.

Donations received in kind are recorded at estimated fair market value at the date the donation is made.

Food donations-in-kind are recorded at \$3.21/lb (2022 - \$2.62/lb) based on the Food Banks Canada's national valuation standard.

Grants are recognized based on the terms of the contract.

Rental income is recorded based on lease terms.

Deferred capital contributions represent restricted contributions used to acquire capital assets. The Society amortizes capital contributions to operations on the same basis as the amortization of the capital assets to which the contribution relates.

Interest income is recognized as revenue as accrued.

3. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash represents externally restricted funds held in the Alberta Gaming, Liquor and Cannabis Commission ("AGLC") bank account and the internally restricted funds held for the amounts allocated to the internally restricted reserve.

The AGLC funds are gaming donations received. The use of the funds is restricted by the approved use of funds per AGLC.

Internally restricted reserve consists of funds allocated by the Board for future operational and capital expenditures and require Board motion to be used. Restricted donations received are also included in this reserve such as gift cards.

	2023	2022
AGLC restricted funds	\$ 2,062	\$ 33,795
Gift cards	13,546	13,735
Internally restricted reserve	<u>395,297</u>	<u>493,064</u>
	<u>\$ 410,905</u>	<u>\$ 540,594</u>

RED DEER FOOD BANK SOCIETY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023

4. CAPITAL ASSETS

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 303,950	\$ -	\$ 303,950	\$ 303,950
Buildings	1,688,643	556,460	1,132,183	981,381
Computer equipment	46,682	37,198	9,484	7,088
Equipment	225,472	87,542	137,930	128,260
Vehicles	501,397	214,195	287,202	340,887
	<u>\$ 2,766,144</u>	<u>\$ 895,395</u>	<u>\$ 1,870,749</u>	<u>\$ 1,761,566</u>

5. RELATED PARTY TRANSACTIONS

During the year, the Society entered into transactions with related parties of the organization. Related parties consist of members of the Board of Directors, key employees in management positions, including the Executive Director and Deputy Director of the Society, and third-party contracted bookkeepers.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. DEFERRED REVENUE

Deferred revenue consists of the following:

	2023	2022
AGLC restricted revenue	\$ 2,062	\$ 33,795
Food truck rental deposits	-	1,000
Gift cards - unspent	13,546	13,735
Grant revenue	<u>1,731</u>	<u>2,151</u>
	<u>\$ 17,339</u>	<u>\$ 50,681</u>

RED DEER FOOD BANK SOCIETY
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2023

12. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations at July 31, 2023.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risks relate to its accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period method of presentation.