

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

FINANCIAL STATEMENTS

For the year ended December 31, 2022

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

TABLE OF CONTENTS

December 31, 2022

INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 11
SCHEDULE TO THE FINANCIAL STATEMENTS	12



INDEPENDENT AUDITOR'S REPORT

To: The board of directors of
Interfaith Food Bank Society of Lethbridge

Qualified Opinion

We have audited the financial statements of Interfaith Food Bank Society of Lethbridge, which comprise the statement of financial position as at December 31, 2022, 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 effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of Interfaith Food Bank Society of Lethbridge as at December 31, 2022 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 Society receives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. We are therefore unable to obtain sufficient appropriate audit evidence regarding the completeness of these revenues. Consequently we were unable to determine whether any adjustments to donations and fundraising revenue were necessary.

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 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.

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 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.

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:

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements, continued

- ◆ 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 auditor's 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.



Lethbridge, Alberta

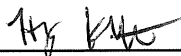
April 24, 2023

Chartered Professional Accountants

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF FINANCIAL POSITION
As at December 31, 2022

	2022	2021
ASSETS		
Current		
Cash	\$ 31,712	\$ 36,485
Restricted cash (note 3)	910,151	952,525
Accounts receivable	80,243	39,040
Inventory (note 4)	314,290	185,116
Prepaid expenses	11,851	6,241
GST receivable	19,587	13,628
	1,367,834	1,233,035
Capital assets (note 5)	2,216,729	2,140,755
	\$ 3,584,563	\$ 3,373,790
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 46,390	\$ 35,213
Deferred revenue (note 6)	75,472	102,528
Current portion of long-term debt	80,340	83,082
	202,202	220,823
Long-term debt (note 7)	77,750	148,633
Unamortized capital allocations (note 8)	1,185,296	1,096,243
	1,465,248	1,465,699
Net assets		
Unrestricted	411,294	245,299
Internally restricted (note 9)	831,755	846,964
Invested in capital assets	873,341	812,795
Endowment	2,925	3,033
	2,119,315	1,908,091
	\$ 3,584,563	\$ 3,373,790

Approved on behalf of the board:

Director 

Director 

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE

STATEMENT OF OPERATIONS

For the year ended December 31, 2022

	2022 Budget (unaudited)	2022 Actual	2021 Actual
Revenue			
Donations and grants (schedule 1)	\$ 685,151	\$ 775,195	\$ 534,741
Christmas fundraiser	260,000	452,004	364,318
Supportive housing	-	76,819	-
Charity dinner and silent auction	20,000	51,220	17,119
Second Door Thrift Store	30,000	26,829	29,934
Bakeless bake sale	20,000	23,845	27,910
Miscellaneous	2,000	5,191	2,039
Interest	2,000	3,271	1,266
Learning Garden	-	2,308	5,057
Backpack program	1,500	899	2,185
	1,020,651	1,417,581	984,569
Expenses			
Wages and benefits	577,000	592,082	457,272
Food and supplies	177,311	314,960	120,216
Repairs and maintenance	76,000	109,474	55,669
Utilities	61,000	77,667	57,142
Office and telephone	86,000	77,133	65,007
Fundraising	20,000	43,656	13,238
Fuel and automotive	18,000	20,405	8,466
Professional fees	13,500	13,050	22,988
Insurance	12,500	12,809	10,697
Learning garden	2,308	10,129	5,649
Interest on long-term debt	88,800	7,775	8,128
Security	15,000	7,155	6,788
Advertising and promotion	5,000	6,814	4,304
Freight	5,000	5,343	1,779
Interest and bank charges	3,000	2,544	2,222
Licenses and memberships	2,500	1,993	2,196
	1,162,919	1,302,989	841,761
Excess (deficiency) of revenue over expenses from operations	(142,268)	114,592	142,808
Non-cash revenue (expense)			
Donations - in-kind	-	2,426,438	1,925,564
Amortization of deferred capital allocations	-	83,754	79,127
Amortization	-	(126,793)	(120,451)
Food and supplies - non-cash	-	(2,297,265)	(2,034,848)
	-	86,134	(150,608)
(Deficiency) excess of revenue over expenses before other	(142,268)	200,726	(7,800)
Other revenue			
COVID-19 grants and subsidies	-	10,498	117,629
(Deficiency) excess of revenue over expenses	\$ (142,268)	\$ 211,224	\$ 109,829

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 2022

	Unrestricted	Internally restricted net assets	Net assets invested in capital assets	Endowment	Total 2022	Total 2021
Balance, beginning of year	\$ 245,299	\$ 846,964	\$ 812,795	\$ 3,033	\$ 1,908,091	\$ 1,798,262
Excess of revenue over expenses	211,224	-	-	-	211,224	109,829
Decrease in endowment fund	108	-	-	(108)	-	-
Transfers from internally restricted net assets	121,069	(121,069)	-	-	-	-
Transfers to internally restricted net assets	(135,820)	135,820	-	-	-	-
Purchase of capital assets	(172,807)	(29,960)	202,767	-	-	-
Amortization	126,793	-	(126,793)	-	-	-
Repayment of long-term debt	(73,625)	-	73,625	-	-	-
Capital allocations received	172,807	-	(172,807)	-	-	-
Amortization of capital allocations	(83,754)	-	83,754	-	-	-
Balance, end of year	\$ 411,294	\$ 831,755	\$ 873,341	\$ 2,925	\$ 2,119,315	\$ 1,908,091

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

	2022	2021
Cash flows from operating activities		
Excess of revenue over expenses	\$ 211,224	\$ 109,829
Adjustments for items which do not affect cash		
Amortization	126,793	120,451
Amortization of capital allocations	(83,754)	(79,127)
	254,263	151,153
Change in non-cash working capital items		
Accounts receivable	(41,203)	80,486
Inventory	(129,174)	109,284
Prepaid expenses	(5,610)	(5,977)
GST	(5,959)	(9,112)
Accounts payable and accrued liabilities	11,177	(5,393)
Payroll source deductions	-	(11,279)
Deferred revenue	(27,056)	83,616
	56,438	392,778
Cash flows from investing activity		
Purchase of capital assets	(202,767)	(100,661)
Cash flows from financing activities		
Repayment of long-term debt	(73,625)	(80,671)
Capital contributions	172,807	55,517
	99,182	(25,154)
Net (decrease) increase in cash	(47,147)	266,963
Cash, beginning of year	989,010	722,047
Cash, end of year	\$ 941,863	\$ 989,010
Cash consists of:		
Cash	\$ 31,712	\$ 36,485
Restricted cash	910,151	952,525
	\$ 941,863	\$ 989,010

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

1. Nature of operations

Interfaith Food Bank Society of Lethbridge is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act. As such, the Society is exempt from income tax and may give tax deductible receipts to donors. Interfaith Food Bank Society of Lethbridge recognizes the human dignity of those in need and provides food and access to services and resources generated from within our community.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are detailed as follows:

(a) 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. 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.

(b) Cash and cash equivalents

The Society includes cash on hand and cash held by financial institutions in operating accounts in the determination of cash and cash equivalents.

(c) Inventory

Inventory is valued at the industry standard of \$3.21/lb (2021 - \$2.62/lb).

(d) Capital assets

Capital assets are recorded at cost. The Society provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Building	6%
Vehicles	30%
Equipment	20%

One-half the normal rate of amortization is recorded in the year of acquisition.

(e) Net assets invested in capital assets

The Society has chosen to treat net assets invested in capital assets as a separate component of net assets.

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

2. Significant accounting policies, continued

(f) Contributed goods and services

Contributions of goods are recognized when fair value can be reasonably estimated, the goods are used in the normal course of operations and would otherwise have been purchased.

A substantial number of unpaid volunteers make significant contributions of their time to the Society's programs. The value of this contributed time is not reflected in these financial statements since objective measurement or valuation is undeterminable.

(g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

A significant area requiring the use of managements estimates was the inventory valuation. The value of the inventory was determined using the industry standard at December 31, 2022.

(h) Financial instruments

The Society initially measures its financial assets and liabilities at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost.

3. Restricted cash

Restricted cash consists of cash balances held in respect of deferred revenue, internally restricted net assets and endowments.

4. Inventory

	2022	2021
<u>Food inventory (2022 - 97,910 lbs.; 2021 - 70,655 lbs.)</u>	<u>\$ 314,290</u>	<u>\$ 185,116</u>

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

5. Capital assets

			2022	2021
	Cost	Accumulated amortization	Net	Net
Land	\$ 459,077	\$ -	\$ 459,077	\$ 459,077
Building	2,561,354	875,360	1,685,994	1,584,373
Vehicles	109,759	66,458	43,301	61,858
Equipment	82,449	54,092	28,357	35,447
	<u>\$ 3,212,639</u>	<u>\$ 995,910</u>	<u>\$ 2,216,729</u>	<u>\$ 2,140,755</u>

6. Deferred revenue

Deferred revenue represents unspent resources received in the current period that are related to the subsequent period.

	Balance, beginning of year	Received	Recognized	Balance, end of year
Emergency Food Security	\$ 68,250	\$ -	\$ (68,250)	\$ -
Community Foundation of Lethbridge and Southwestern Alberta	28,000	-	(28,000)	-
United Way	3,970	-	(3,970)	-
Garden	2,308	-	(2,308)	-
Family & Community Support Services				
Association of Alberta- Emergency Support Funding	-	60,000	-	60,000
Food Bank Alberta- Client Advocacy Program	-	10,000	(6,528)	3,472
Food Banks Canada -Capacity Boost Grant	-	24,840	(12,840)	12,000
	<u>\$ 102,528</u>	<u>\$ 94,840</u>	<u>\$ (121,896)</u>	<u>\$ 75,472</u>

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

7. Long-term debt

	2022	2021
ATB Financial		
This loan is repayable at \$3,400 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	\$ 98,083	\$ 130,903
This loan is repayable at \$4,000 per month including interest at the prime rate plus 0.5% and is due September 30, 2025.	60,007	100,812
	158,090	231,715
Less current portion	80,340	83,082
	<u>\$ 77,750</u>	<u>\$ 148,633</u>

Interfaith Food Bank Society of Lethbridge also has a revolving loan with a balance limit of \$80,000. Any drawings on this amount are repayable at prime plus 0.5%. No amount was drawn on this facility at December 31, 2022.

Security pledged on the above loans consists of specified land and building with a carrying value of \$2,145,071.

Estimated principal repayments are as follows:

2023	\$ 80,340
2024	52,359
2025	25,391
	<u>\$ 158,090</u>

8. Unamortized capital allocations

Unamortized capital allocations represent the externally funded portion of capital assets that will be recognized as revenue in future periods. The changes in unamortized capital allocation balance for the period are as follows:

	2022	2021
Balance, beginning of year	\$ 1,096,243	\$ 1,119,855
Contributions received	172,807	55,515
Amortization of capital allocations	(83,754)	(79,127)
	<u>\$ 1,185,296</u>	<u>\$ 1,096,243</u>

Current year contributions received consisted of \$112,642 from the Canada Community Revitalization Fund and \$60,165 from the City of Lethbridge Capital Grant.

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

9. Internally restricted net assets

Internally restricted net assets consist of funds set aside by the Board of Directors of the Society for specific purposes, as follows:

	2022	2021
Contingency fund	\$ 568,362	\$ 600,854
Operating contingency	150,000	150,000
Future salary contingency	75,472	60,110
Planned deficit 2023	29,921	-
Site committee Items	6,500	24,500
Gnome supplies	-	11,500
	\$ 830,255	\$ 846,964

The Society maintains a Contingency Fund to ensure funds are available for unexpected costs associated with maintenance and upkeep of the facility, major equipment necessary for food bank operations, planned repairs and purchases of fixed assets, and expected increases in food and operational costs. It also maintains an Operating Contingency to ensure funds are available for continuance of service in the event of emergencies or unexpected circumstances.

10. Charitable fundraising act and regulation

In accordance with the disclosure requirements of the Charitable Fund-raising Act and Regulation, approximately \$64,338 was paid during the year as remuneration to employees whose principal duties involved fundraising.

11. Financial instruments

Interest rate risk

The Society is exposed to interest rate risk due to the variable rate interest on certain loans. Changes in the lending rates may cause fluctuations in cash flows and interest expense.

INTERFAITH FOOD BANK SOCIETY OF LETHBRIDGE
SCHEDULE TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

Schedule of donations and grants

Schedule 1

	2022 Budget (unaudited)	2022 Actual	2021 Actual
Donations	\$ 360,740	\$ 495,614	\$ 412,766
Other grants	256,000	208,540	54,064
Family Centre	20,511	20,511	20,511
Food Banks Alberta - Southern Hub	18,000	18,000	18,000
City of Lethbridge donation	12,500	12,500	12,500
United Way	9,000	11,630	8,500
Canada Summer Jobs	8,400	8,400	8,400
	\$ 685,151	\$ 775,195	\$ 534,741