

EDMONTON GLEANERS ASSOCIATION
(Operating as Edmonton's Food Bank)
Financial Statements
For the Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of Edmonton Gleaners Association

Qualified Opinion

We have audited the financial statements of Edmonton Gleaners Association (the Association), which comprise the statement of financial position as at December 31, 2018, 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 December 31, 2018, 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 food donations in-kind, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified 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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Association's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Independent Auditors' Report to the Members of Edmonton Gleaners Association (*continued*)

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 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 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 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
May 14, 2019

EDMONTON GLEANERS ASSOCIATION

Operating as Edmonton's Food Bank

Statement of Financial Position

As At December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash and cash equivalents (Note 3)	\$ 3,545,087	\$ 3,993,853
Short term investments (Note 4)	151,392	205,241
Accounts receivable	245,525	197,709
Prepaid expenses	33,711	170,889
Gift certificates on hand	53,398	40,037
	4,029,113	4,607,729
LONG TERM INVESTMENTS (Note 5)	1,352,771	896,900
PROPERTY, PLANT AND EQUIPMENT (Note 6)	5,372,287	5,085,496
INTANGIBLE ASSETS	25,625	-
	\$ 10,779,796	\$ 10,590,125
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	\$ 97,202	\$ 202,256
Vacation and overtime payable	105,899	101,479
Current portion of deferred capital contributions (Note 9)	61,641	76,273
Current portion of long term debt (Note 10)	49,818	48,347
	314,560	428,355
DEFERRED CONTRIBUTIONS (Note 8)	8,333	35,708
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	703,448	740,089
LONG TERM DEBT (Note 10)	243,542	293,358
	1,269,883	1,497,510
NET ASSETS		
Invested in property, plant, and equipment	4,338,838	3,927,429
Internally restricted for		
Property, plant and equipment reserve	1,300,000	1,000,000
Legacy reserve	457,396	457,396
Food purchase reserve	1,500,000	1,500,000
Emergency reserve	1,000,000	1,000,000
Unrestricted net assets	913,679	1,207,790
	9,509,913	9,092,615
	\$ 10,779,796	\$ 10,590,125

ON BEHALF OF THE BOARD:

 _____ Director
_____ Director

The accompanying notes are an integral part of these financial statements.

EDMONTON GLEANERS ASSOCIATION**Statement of Operations****For The Year Ended December 31, 2018**

	2018	2017
REVENUE		
Food donations-in-kind (Note 12)	\$ 22,108,533	\$ 20,785,270
Contributions	4,451,546	4,573,815
Foundations donations	617,176	484,250
United Way	177,665	222,372
Interest, investment and sundry income	66,442	65,619
Amortization of deferred capital contributions (Note 9)	76,273	121,173
Grants	30,835	201,148
	27,528,470	26,453,647
EXPENSES		
Food donations-in-kind (Note 12)	22,108,533	20,785,270
Salaries and employee benefits	2,391,955	2,136,247
Food purchases	964,951	912,137
Amortization of property, plant and equipment	354,021	316,257
Promotion, recruitment and education	306,555	293,437
Warehouse operations	217,545	179,086
Repairs and maintenance	173,570	94,194
Transportation and trucking	151,945	175,652
Supplies and sundry	141,062	150,740
Utilities	86,463	73,724
Purchased services	73,516	29,570
Telephone	52,574	44,517
Insurance	34,570	28,761
Goods and Services Tax	25,335	21,376
Interest on long term debt	9,590	11,017
	27,092,185	25,251,985
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	436,285	1,201,662
OTHER INCOME		
Realized gain on disposal of investments	37,649	105,158
Loss on disposal of property, plant and equipment	-	(48,012)
Unrealized loss on changes in market value of investments	(56,636)	(34,356)
	(18,987)	22,790
EXCESS OF REVENUE OVER EXPENSES	\$ 417,298	\$ 1,224,452

The accompanying notes are an integral part of these financial statements.

EDMONTON GLEANERS ASSOCIATION
Operating as Edmonton's Food Bank
Statement of Changes in Net Assets
For The Year Ended December 31, 2018

	Invested in Property, Plant, and Equipment	Property, Plant and Equipment Reserve	Legacy Reserve	Food Purchase Reserve	Emergency Reserve	Unrestricted	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 3,927,429	\$ 1,000,000	\$ 457,396	\$ 1,500,000	\$ 1,000,000	\$ 1,207,790	\$ 9,092,615	\$ 7,868,163
EXCESS OF REVENUE OVER EXPENSES	(287,338)	-	-	-	-	704,636	417,298	1,224,452
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	640,812	(640,812)	-	-	-	-	-	-
INTERFUND TRANSFERS	-	940,812	-	-	-	(940,812)	-	-
NET CHANGE IN INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT	57,935	-	-	-	-	(57,935)	-	-
NET ASSETS - END OF YEAR	\$ 4,338,838	\$ 1,300,000	\$ 457,396	\$ 1,500,000	\$ 1,000,000	\$ 913,679	\$ 9,509,913	\$ 9,092,615

The accompanying notes are an integral part of these financial statements.

EDMONTON GLEANERS ASSOCIATION**Statement of Cash Flows****For The Year Ended December 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 417,298	\$ 1,224,452
Items not affecting cash:		
Amortization of property, plant and equipment	354,021	316,257
Loss on disposal of property, plant and equipment	-	48,012
Realized gain on disposal of investments	(37,649)	(105,158)
Net reinvested income	(12,561)	(22,070)
Edmonton Community Foundation operating assessment	10,951	10,906
Amortization of deferred capital contributions	(76,273)	(121,173)
Unrealized loss on changes in market value of investments	56,636	34,356
	<u>712,423</u>	<u>1,385,582</u>
Changes in non-cash working capital:		
Accounts receivable	(47,816)	(28,552)
Prepaid expenses	137,178	(78,200)
Gift certificates on hand	(13,361)	73,882
Accounts payable and accrued liabilities	(105,053)	29,516
Vacation and overtime payable	4,420	(1,099)
Deferred contributions	(27,375)	15,708
	<u>(52,007)</u>	<u>11,255</u>
	<u>660,416</u>	<u>1,396,837</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(640,812)	(1,215,293)
Purchase of intangible assets	(25,625)	-
Net change in short term investments	45,240	(20,055)
Distribution from Edmonton Community Foundation	40,360	38,559
Purchase of long term investments	(505,000)	-
	<u>(1,085,837)</u>	<u>(1,196,789)</u>
FINANCING ACTIVITIES		
Receipt of deferred capital contributions (Note 9)	25,000	130,000
Repayment of long term debt	(48,345)	(46,920)
	<u>(23,345)</u>	<u>83,080</u>
INCREASE (DECREASE) IN CASH FLOW	(448,766)	283,128
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,993,853</u>	<u>3,710,725</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note 3)	\$ 3,545,087	\$ 3,993,853

The accompanying notes are an integral part of these financial statements.

EDMONTON GLEANERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2018

1. NATURE OF OPERATIONS

Edmonton Gleaners Association (the "Association") was incorporated under the *Societies Act* of Alberta on January 16, 1981. The Association's principal business activity is to be stewards in the collection of surplus and donated food for the effective distribution, free of charge, to people in need in our community. The Association operates under the name "Edmonton's Food Bank". The Association is designated as a charitable organization under the *Income Tax Act (Canada)* and therefore is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), Part III of the Chartered Professional Accountants of Canada Handbook as issued by the Canadian Accounting Standards Board.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount can be reasonably assured. Externally restricted contributions are initially deferred and then recognized as revenue in the year the related expenses are incurred. Donated property, plant and equipment and capital contributions received are initially deferred and recognized as revenue on the same basis as the related amortization expense.

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 \$5.70 per kilogram based on the Food Banks Canada national valuation standard.

Investment income, which consist of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recognized in the statement of operations.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity of three months or less from the date of acquisition.

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EDMONTON GLEANERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over its estimated useful life at the following rates and methods:

Land		non-amortizable
Buildings	4%	declining balance method
Equipment	20%	declining balance method
Automotive	30%	declining balance method
Computers and software	30%	declining balance method
Parking lot	8%	declining balance method

The Association regularly reviews its property, plant and equipment to eliminate obsolete items. In the year of acquisition, half rates are applied.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Intangible assets

The cost of the website development is being amortized on a straight-line basis over its estimated useful live of five years.

Reserve policy

The Association maintains the following internally restricted reserves: Property, Plant and Equipment; Legacy; Food Purchase; and Emergency Reserve. The Property, Plant and Equipment Reserve is designated to fund major capital expenditures. Examples of major capital expenditures may include building renovations, equipment and vehicle purchases or repairs. The Legacy Reserve consists of donations left to the Association from estates. In consultation with the family members and other major funders, these gifts are invested to ensure long term benefits for the people we serve within the organization. The Food Purchase Reserve is designated for the purchase of high protein, non-perishable food required by the hamper programs when food supplies are inadequate to meet the needs of the clients. The Emergency Reserve is designed to protect the Association against unexpected demands on its resources arising from the occurrence of negative events including natural disasters.

Donated services

Volunteer hours representing fundraising, special events, administrative and warehouse activity are not reflected in these financial statements as the fair value of these services cannot be reasonably estimated.

Measurement uncertainty

The preparation of financial statements in accordance 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, the disclosure of contingent liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Significant areas requiring the use of management's estimates include the useful lives of property, plant and equipment and the corresponding rates of amortization, the amount of accrued liabilities, and assessment of the value of donated food and other products. All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

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EDMONTON GLEANERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Food purchases and inventory

Food purchases are recorded as an expense at the date of purchase. Food items on hand at year-end are not recorded as inventory.

Financial instruments policy

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.

The Association's financial instruments consist of cash and cash equivalents, gift certificates on hand, short term investments, accounts receivable, long term investments, accounts payable, vacation and overtime payable, and accrued liabilities. It is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
Scotiabank - operating account	\$ 1,693,575	\$ 1,875,213
Scotiabank - savings account	1,332,935	2,115,602
Undeposited funds on hand	411,760	-
CIBC - operating account	103,181	1,321
iTrade - cash account	3,566	1,634
Cash on hand	70	83
	<u>\$ 3,545,087</u>	<u>\$ 3,993,853</u>

4. SHORT TERM INVESTMENTS

	<u>2018</u>	<u>2017</u>
iTrade	\$ 77,965	\$ 51,386
Guaranteed Investment Certificate	69,466	149,937
Mutual Funds	3,961	3,918
	<u>\$ 151,392</u>	<u>\$ 205,241</u>

Guaranteed Investment Certificate bears interest at 0.6% (2017 - 0.6%) and matures on April 15, 2019. Equity Investments and Mutual Funds are held at fair market value.

EDMONTON GLEANERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2018

5. LONG TERM INVESTMENTS

	2018	2017
Edmonton Community Foundation Guaranteed Investment Certificate	\$ 847,771 505,000	\$ 896,900 -
	<u>\$ 1,352,771</u>	<u>\$ 896,900</u>

Long term investments are presented at fair market value and consist of pooled funds invested in Canadian, US and Global equity and managed by Edmonton Community Foundation.

Guaranteed Investment Certificate bears interest at 2% and matures on April 11, 2019.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 879,102	\$ -	\$ 879,102	\$ 879,102
Buildings	4,821,351	1,022,410	3,798,941	3,508,567
Equipment	621,951	409,823	212,128	224,130
Automotive	1,169,300	850,192	319,108	341,118
Computers and software	152,937	66,837	86,100	118,552
Parking lot	108,142	31,234	76,908	14,027
	<u>\$ 7,752,783</u>	<u>\$ 2,380,496</u>	<u>\$ 5,372,287</u>	<u>\$ 5,085,496</u>

7. ACCOUNTS PAYABLE

Included in accounts payable and accrued liabilities are government remittances payable of \$2,072 (2017 - \$NIL).

8. DEFERRED CONTRIBUTIONS

All of the deferred contributions to the Association have been designated for a specific use. These amounts are recognized as revenue as related program expenses are incurred. The changes in deferred contributions balance are as follows:

	2018	2017
Balance, beginning of year	\$ 35,708	\$ 20,000
Contributions	8,333	35,708
Amount recognized as revenue during the year	<u>(35,708)</u>	<u>(20,000)</u>
Balance, end of year	<u>\$ 8,333</u>	<u>\$ 35,708</u>

EDMONTON GLEANERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2018

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of property, plant and equipment. The amortization of deferred capital contributions begins when the associated property, plant and equipment are put into use, and is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 816,362	\$ 807,535
Capital contributions received	25,000	130,000
Amount amortized during the year	<u>(76,273)</u>	<u>(121,173)</u>
Balance, end of year	765,089	816,362
Current portion to be amortized	<u>(61,641)</u>	<u>(76,273)</u>
Balance, end of year	<u>\$ 703,448</u>	<u>\$ 740,089</u>

10. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Muttart Foundation loan bearing interest at 3% per annum, repayable in monthly blended payments of \$4,828. The loan matures on June 1, 2024 and is secured by land and a building with a total net book value of \$3,141,147.	\$ 293,360	\$ 341,705
Amounts payable within one year	<u>(49,818)</u>	<u>(48,347)</u>
	<u>\$ 243,542</u>	<u>\$ 293,358</u>

Principal repayment terms are approximately:

2019	\$ 49,818
2020	51,333
2021	52,894
2022	54,503
2023	56,161
Thereafter	<u>28,651</u>
	<u>\$ 293,360</u>

11. RELATED PARTY TRANSACTIONS

The Association periodically incurs expenses with parties which certain members of its Board of Directors are associated. Transactions involving the Association and these parties in 2018 totaled \$975 (2017 - \$NIL). These transactions are considered to be in the normal course of business and are measured at or below fair market value.

EDMONTON GLEANERS ASSOCIATION

Notes to Financial Statements

For the Year Ended December 31, 2018

12. FOOD DONATIONS IN-KIND

The food donations are valued at an average price per kilogram of \$5.70 based on the Food Banks Canada national valuation standard. In 2018 management estimated that approximately 3,878,690 kilograms of food was received and distributed (3,779,140 kilograms at \$5.50 per kilogram in 2017) for a total value of \$22,108,533 (2017 - \$20,785,270).

13. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2018.

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 from its accounts receivable and gift certificates. The Association mitigates this risk by reviewing and monitoring these balances.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its members, donors, other related sources, and accounts payable and accrued liabilities. Sufficient short term investments are on hand at any given time that can readily be converted to cash to cover any expected and unexpected operating requirements.

Market risk

The Association is exposed to market risk through changes in marketable security prices, other than changes arising from interest rate or currency risk, in connection with investments in equity securities and other pooled funds.

Interest rate risk

Interest rate risk is the risk that the value of the Association's interest bearing financial instruments will fluctuate due to changes in prevailing interest rates. The Association is exposed to interest rate risk on its short term investments and cash and cash equivalents. Management frequently reviews the interest rates to mitigate risk.

Changes in risk

There has been no significant change in the level of risk during the year.

14. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
