

EDMONTON GLEANERS ASSOCIATION
(Operating as Edmonton's Food Bank)
Financial Statements
For the Year Ended December 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Members of Edmonton Gleaners Association

We have audited the accompanying financial statements of Edmonton Gleaners Association (Operating as Edmonton's Food Bank), which comprise the statement of financial position as at December 31, 2017 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.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Edmonton Gleaners Association derives revenue from donations and food donations in-kind, 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 Edmonton Gleaners Association. Therefore, we were not able to determine whether any adjustments might be necessary to donations and food donations in-kind, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2017, current assets and net assets as at December 31, 2017.

Qualified Opinion

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 Edmonton Gleaners Association as at December 31, 2017 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.

METRIX GROUP LLP

Chartered Professional Accountants

May 8, 2018
Edmonton, Alberta

EDMONTON GLEANERS ASSOCIATION**Operating as Edmonton's Food Bank****Statement of Financial Position****As At December 31, 2017**

	2017	2016
ASSETS		
CURRENT		
Cash and cash equivalents <i>(Note 3)</i>	\$ 3,993,853	\$ 3,710,725
Short term investments <i>(Note 4)</i>	205,661	182,298
Accounts receivable	197,289	168,671
Prepaid expenses	170,889	92,689
Gift certificates on hand	40,037	113,919
	<u>4,607,729</u>	4,268,302
LONG TERM INVESTMENTS <i>(Note 5)</i>	896,900	856,866
PROPERTY, PLANT AND EQUIPMENT <i>(Note 6)</i>	5,085,496	4,234,474
	<u>\$ 10,590,125</u>	<u>\$ 9,359,642</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 202,256	\$ 172,742
Vacation and overtime payable	101,479	102,578
Current portion of deferred capital contributions <i>(Note 8)</i>	76,273	124,764
Current portion of long term debt <i>(Note 9)</i>	48,347	46,920
	<u>428,355</u>	447,004
DEFERRED CONTRIBUTIONS <i>(Note 7)</i>	35,708	20,000
DEFERRED CAPITAL CONTRIBUTIONS <i>(Note 8)</i>	740,089	682,771
LONG TERM DEBT <i>(Note 9)</i>	293,358	341,704
	<u>1,497,510</u>	1,491,479
NET ASSETS		
Invested in property, plant, and equipment <i>(Note 10)</i>	3,927,429	3,038,315
Internally restricted for		
Property, plant and equipment reserve	1,000,000	1,800,000
Legacy reserve	457,396	457,396
Food purchase reserve	1,500,000	1,500,000
Emergency reserve	1,000,000	556,354
Unrestricted net assets	1,207,790	516,098
	<u>9,092,615</u>	7,868,163
	<u>\$ 10,590,125</u>	<u>\$ 9,359,642</u>

ON BEHALF OF THE BOARD:_____
*Director*_____
Director

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

EDMONTON GLEANERS ASSOCIATION

Operating as Edmonton's Food Bank

Statement of Operations

For The Year Ended December 31, 2017

	2017	2016
REVENUE		
Food donations-in-kind (Note 12)	\$ 20,785,270	\$ 21,869,535
Contributions	4,573,815	4,605,377
Foundations donations	484,250	519,324
United Way	222,372	182,352
Grants	201,148	66,697
Amortization of deferred capital contributions (Note 8)	121,173	96,252
Interest, investment and sundry income	65,619	48,878
	<u>26,453,647</u>	<u>27,388,415</u>
EXPENSES		
Food donations-in-kind (Note 12)	20,785,270	21,869,535
Salaries and employee benefits	2,136,247	1,876,395
Food purchases	912,137	946,189
Amortization of property, plant and equipment	316,257	261,837
Promotion, recruitment and education	293,437	234,233
Warehouse operations	179,086	195,791
Transportation and trucking	175,652	125,143
Supplies and sundry	150,740	162,053
Repairs and maintenance	94,194	61,296
Utilities	73,724	60,687
Telephone	44,517	40,237
Purchased services	29,570	14,763
Insurance	28,761	41,765
Goods and Services Tax	21,376	17,984
Interest on long term debt	11,017	12,401
	<u>25,251,985</u>	<u>25,920,309</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>1,201,662</u>	<u>1,468,106</u>
OTHER INCOME		
Realized gain on disposal of investments	105,158	10,926
Loss on disposal of property, plant and equipment	(48,012)	(15,145)
Unrealized gain (loss) on changes in market value of investments	(34,356)	10,636
	<u>22,790</u>	<u>6,417</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 1,224,452</u>	<u>\$ 1,474,523</u>

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, 2017

		Invested in Property, Plant and Equipment	Property, Plant and Equipment Reserve	Legacy Reserve	Food Purchase Reserve	Emergency Reserve	Unrestricted	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$	3,038,315	\$ 1,800,000	\$ 457,396	\$ 1,500,000	\$ 556,354	\$ 516,098	\$ 7,868,163	\$ 6,393,640
EXCESS OF REVENUE OVER EXPENSES		(254,114)	-	-	-	-	1,478,566	1,224,452	1,474,523
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		1,215,293	(1,215,293)	-	-	-	-	-	-
INTERFUND TRANSFERS		-	415,293	-	-	443,646	(858,939)	-	-
NET CHANGE IN INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT		(72,065)	-	-	-	-	72,065	-	-
NET ASSETS - END 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

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

EDMONTON GLEANERS ASSOCIATION**Operating as Edmonton's Food Bank****Statement of Cash Flows****For The Year Ended December 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,224,452	\$ 1,474,523
Items not affecting cash:		
Amortization of property, plant and equipment	316,257	261,837
Loss on disposal of property, plant and equipment	48,012	15,145
Realized gain on disposal of investments	(105,158)	(10,926)
Net reinvested income	(22,070)	(25,453)
Edmonton Community Foundation operating assessment	10,906	10,392
Amortization of deferred capital contributions	(121,173)	(96,252)
Unrealized gain on changes in market value of investments	34,356	(10,636)
	<u>1,385,582</u>	<u>1,618,630</u>
Changes in non-cash working capital:		
Accounts receivable	(28,618)	(95,695)
Prepaid expenses	(78,200)	(60,543)
Gift certificates on hand	73,882	(92,139)
Accounts payable and accrued liabilities	29,516	157,521
Vacation and overtime payable	(1,099)	3,475
Deferred contributions	15,708	20,000
	<u>11,189</u>	<u>(67,381)</u>
	<u>1,396,771</u>	<u>1,551,249</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,215,293)	(695,135)
Net change in short term investments	(19,989)	(28,791)
Distribution from Edmonton Community Foundation	38,559	38,607
	<u>(1,196,723)</u>	<u>(685,319)</u>
FINANCING ACTIVITIES		
Receipt of deferred capital contributions (Note 8)	130,000	344,584
Repayment of long term debt	(46,920)	(45,535)
	<u>83,080</u>	<u>299,049</u>
INCREASE IN CASH FLOW	283,128	1,164,979
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,710,725</u>	<u>2,545,746</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note 3)	\$ 3,993,853	\$ 3,710,725

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

EDMONTON GLEANERS ASSOCIATION

Operating as Edmonton's Food Bank

Notes to Financial Statements

For The Year Ended December 31, 2017

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 \$5.50 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

Operating as Edmonton's Food Bank

Notes to Financial Statements

For The Year Ended December 31, 2017

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
Computer hardware/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.

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

Operating as Edmonton's Food Bank

Notes to Financial Statements

For The Year Ended December 31, 2017

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>2017</u>	<u>2016</u>
Scotiabank - operating account	\$ 1,875,213	\$ 2,035,526
Scotiabank - savings account	2,115,602	1,357,271
iTrade - cash account	1,634	482
CIBC - operating account	1,321	317,288
Cash on hand	83	83
CIBC - raffle account	-	75
	<u>\$ 3,993,853</u>	<u>\$ 3,710,725</u>

4. SHORT TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
CIBC Guaranteed Investment Certificates	\$ 149,937	\$ 149,123
iTrade	51,386	28,786
CIBC Mutual Funds	3,918	3,903
Accrued interest	420	486
	<u>\$ 205,661</u>	<u>\$ 182,298</u>

Guaranteed Investment Certificates bear interest ranging from 0.45% to 0.50% (2016 - 0.60%) and mature between April 13, 2018 and July 12, 2018. Equity Investments and Mutual Funds are held at fair market value.

EDMONTON GLEANERS ASSOCIATION
Operating as Edmonton's Food Bank
Notes to Financial Statements
For The Year Ended December 31, 2017

5. LONG TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
Edmonton Community Foundation	<u>\$ 896,900</u>	<u>\$ 856,866</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.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 879,102	\$ -	\$ 879,102	\$ 879,102
Buildings	4,381,844	873,277	3,508,567	2,753,572
Equipment	601,372	377,242	224,130	211,447
Automotive	1,074,799	733,681	341,118	313,293
Computer hardware/software	149,274	30,722	118,552	61,813
Parking lot	41,472	27,445	14,027	15,247
	<u>\$ 7,127,863</u>	<u>\$ 2,042,367</u>	<u>\$ 5,085,496</u>	<u>\$ 4,234,474</u>

7. 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:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 20,000	\$ -
Contributions	35,708	20,000
Amount recognized as revenue during the year	<u>(20,000)</u>	<u>-</u>
Balance, end of year	<u>\$ 35,708</u>	<u>\$ 20,000</u>

EDMONTON GLEANERS ASSOCIATION**Operating as Edmonton's Food Bank****Notes to Financial Statements****For The Year Ended December 31, 2017****8. 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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 807,535	\$ 559,203
Capital contributions received	130,000	344,584
Amount amortized during the year	<u>(121,173)</u>	<u>(96,252)</u>
Balance, end of year	816,362	807,535
Current portion to be amortized	<u>(76,273)</u>	<u>(124,764)</u>
	<u>\$ 740,089</u>	<u>\$ 682,771</u>

9. LONG TERM DEBT

	<u>2017</u>	<u>2016</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 \$3,258,800.	\$ 341,705	\$ 388,624
Amounts payable within one year	<u>(48,347)</u>	<u>(46,920)</u>
	<u>\$ 293,358</u>	<u>\$ 341,704</u>

Principal repayment terms are approximately:

2018	\$ 48,347
2019	49,818
2020	51,333
2021	52,894
2022	54,503
Thereafter	<u>84,810</u>
	<u>\$ 341,705</u>

EDMONTON GLEANERS ASSOCIATION

Operating as Edmonton's Food Bank

Notes to Financial Statements

For The Year Ended December 31, 2017

10. INVESTED IN PROPERTY, PLANT AND EQUIPMENT

	<u>2017</u>	<u>2016</u>
Net Book Value of Property, Plant and Equipment	\$ 5,085,496	\$ 4,234,474
Current portion of deferred capital contributions	(76,273)	(124,764)
Current portion of long term debt	(48,347)	(46,920)
Deferred capital contributions	(740,089)	(682,771)
Long term debt	(293,358)	(341,704)
	<u>\$ 3,927,429</u>	<u>\$ 3,038,315</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 2017 totaled \$NIL (2016 - \$1,592). These transactions are considered to be in the normal course of business and are measured at or below fair market value.

12. FOOD DONATIONS IN-KIND

The food donations are valued at an average price per kilogram of \$5.50 based on the Food Banks Canada national valuation standard. In 2017 management estimated that approximately 3,779,140 kilograms of food was received and distributed (3,976,279 kilograms at \$5.50 per kilogram in 2016) for a total value of \$20,785,270 (2016 - \$21,869,535).

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, 2017.

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.

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EDMONTON GLEANERS ASSOCIATION
Operating as Edmonton's Food Bank
Notes to Financial Statements
For The Year Ended December 31, 2017

13. FINANCIAL INSTRUMENTS (continued)

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.
