

Consolidated Financial Statements of

SURREY FOOD BANK SOCIETY

And Independent Auditors' Report thereon

Year ended September 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of Surrey Food Bank Society

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Surrey Food Bank Society (the "Society"), which comprise:

- the consolidated statement of financial position as at September 30, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 financial statements present fairly, in all material respects, the consolidated financial position of the Society as at September 30, 2019, and its consolidated results of operations and its consolidated 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 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue and excess of revenue over expenses reported in the statement of operations and changes in net assets and statement of cash flows for the years ended September 30, 2019 and September 30, 2018, current assets in the statement of financial position as at September 30, 2019 and September 30, 2018 and net assets reported in the statement of changes in net assets, both at the beginning and end of the year, for the years ending September 30, 2019 and September 30, 2018. Our opinion on the financial statements for the year ended September 30, 2018 was qualified accordingly because of the possible effects of this limitation in 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 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 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.

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 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 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 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 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the 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.

KPMG LLP

Chartered Professional Accountants

Burnaby, Canada
February 12, 2020

SURREY FOOD BANK SOCIETY

Consolidated Statement of Financial Position

September 30, 2019, with comparative information for 2018

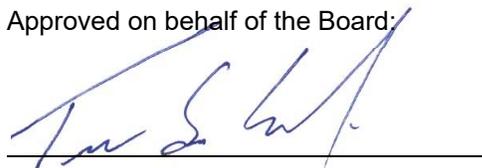
	2019	2018
Assets		
Current assets:		
Cash (notes 5 and 9)	\$ 2,022,396	\$ 773,502
Short-term investments	-	500,000
Accounts receivable	32,027	28,063
Prepaid expenses and deposits (note 15)	295,638	132,393
Gift cards	17,918	11,730
Assets held for sale (note 3)	332,271	-
	<u>2,700,250</u>	<u>1,445,688</u>
Long-term investment (note 4)	41,826	-
Internally restricted investments (note 5)	1,200,000	1,616,000
Capital assets (note 6)	430,036	249,125
Other asset (note 7)	5,173	3,731
	<u>\$ 4,377,285</u>	<u>\$ 3,314,544</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 72,159	\$ 75,976
Deferred contributions (note 9)	253,773	203,200
	<u>325,932</u>	<u>279,176</u>
Deferred capital contributions (note 10)	255,585	66,676
	<u>581,517</u>	<u>345,852</u>
Net assets:		
Invested in capital assets (note 11)	506,722	182,449
Internally restricted funds (note 5)	1,505,659	1,616,000
Unrestricted funds	1,783,387	1,170,243
	<u>3,795,768</u>	<u>2,968,692</u>
Commitment (note 13)		
Subsequent events (notes 3 and 15)		
	<u>\$ 4,377,285</u>	<u>\$ 3,314,544</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Director



Director

SURREY FOOD BANK SOCIETY

Consolidated Statement of Operations

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Donations and fundraising	\$ 1,428,125	\$ 1,473,084
Programs	145,283	132,426
Gaming	85,386	84,847
Interest	80,776	51,537
Litter contract	26,616	25,200
Amortization of deferred capital contributions (note 10)	63,603	20,164
Sundry	7,191	8,264
	<u>1,836,980</u>	<u>1,795,522</u>
Expenses:		
Advertising	32,161	52,921
Amortization of capital assets	123,535	87,263
Bad debts	-	306
Building development expenses	25,360	63,391
Directors' liability insurance	1,540	783
Food purchases	84,334	69,200
Insurance	4,887	2,962
Interest and bank charges	9,605	8,949
Office and miscellaneous	106,032	77,083
Professional fees	14,588	12,806
Project and grant expenses	140,419	132,099
Rent	120,663	159,845
Salaries and benefits	699,348	730,983
Training and meetings	5,273	1,548
Utilities	37,584	33,473
Vehicles	53,188	78,971
Volunteer expenses	11,669	9,707
	<u>1,470,186</u>	<u>1,522,290</u>
Excess of revenue over expenses before the undernoted	366,794	273,232
Gain on disposal of capital assets	18,285	-
Excess of revenue over expenses for the year	<u>\$ 385,079</u>	<u>\$ 273,232</u>

See accompanying notes to consolidated financial statements.

SURREY FOOD BANK SOCIETY

Consolidated Statement of Changes in Net Assets

Year ended September 30, 2019, with comparative information for 2018

	Invested in capital assets (note 11)	Unrestricted funds	Internally restricted funds	2019	2018
Net assets, beginning of year	\$ 182,449	\$ 1,170,243	\$ 1,616,000	\$ 2,968,692	\$ 2,695,460
Net assets of Surrey Food Bank Foundation (note 2)	338,922	103,075	-	441,997	-
Excess (deficiency) of revenue over expenses	(59,932)	415,352	29,659	385,079	273,232
Net change in invested in capital assets (note 11(c))	45,283	(45,283)	-	-	-
Interfund transfer (note 12)	-	140,000	(140,000)	-	-
Net assets, end of year	\$ 506,722	\$ 1,783,387	\$ 1,505,659	\$ 3,795,768	\$ 2,968,692

See accompanying notes to consolidated financial statements.

SURREY FOOD BANK SOCIETY

Consolidated Statement of Cash Flows

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses for the year	\$ 385,079	\$ 273,232
Items not involving cash:		
Amortization of deferred capital contributions	(63,603)	(20,164)
Amortization of capital assets	123,535	87,263
Gain on disposal of capital assets	(18,285)	-
	426,726	340,331
Changes in non-cash operating working capital:		
Accounts receivable	(3,188)	(4,940)
Prepaid expenses and deposits	(162,676)	(8,969)
Gift cards	(6,188)	19,412
Accounts payable and accrued liabilities	(4,968)	(15,775)
Deferred contributions	50,573	33,133
	300,279	363,192
Investing:		
Cash of Surrey Food Bank Foundation (note 2)	62,015	-
Redemption of short-term investments	540,866	-
Purchase of long-term investments	(41,826)	-
Redemption (purchase) of internally restricted investments	416,000	(16,000)
Purchase of capital assets	(302,041)	(78,849)
Proceeds on disposal of capital assets	22,531	-
Increase in other asset	(1,442)	(1,264)
	696,103	(96,113)
Financing:		
Deferred capital contributions received	252,512	-
Increase in cash	1,248,894	267,079
Cash, beginning of year	773,502	506,423
Cash, end of year	\$ 2,022,396	\$ 773,502
Non-cash transactions on acquisition of control of Surrey Food Bank Foundation (note 2):		
Non-cash working capital	\$ 194	\$ -
Short-term investment	40,866	-
Capital assets	338,922	-
Other non-cash transactions:		
Reclassification of capital assets to held-for-sale (note 3)	332,271	-
Transfer from deferred contributions to deferred capital contributions	-	65,804

See accompanying notes to consolidated financial statements.

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

Nature of operations:

Surrey Food Bank Society (the "Society") is incorporated under the Societies Act (British Columbia). The Society is a charitable organization under the Income Tax Act (the "Act") and, as such, is exempt from income taxes provided certain requirements of the Act are met and is able to issue donation receipts for income tax purposes.

The purpose of the Society is to provide its local community, through equitable and effective distribution, access to food products and other resources. The Society also develops programs that are alternatives to the food line and helps people help themselves. The Society depends on the commitments and contributions of community volunteers in all aspects of its operations including the Board of Directors and its committees.

1. Significant accounting policies:

These consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Society and the Surrey Food Bank Foundation (the "Foundation") as of October 1, 2018 when the Society obtained control over the Foundation (see note 2). All inter-entity balances and transactions since October 1, 2018 have been eliminated on consolidation.

The prior year comparative financial statements only include the accounts of the Society.

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions which includes donations and grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

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.

Restricted contributions are recorded as revenue in the year in which the related expenses are recognized. Capital asset contributions or contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

1. Significant accounting policies (continued):

(c) Contributed goods and services:

A number of volunteers contribute a significant amount of their time to the Society each year. Due to the difficulty in determining their fair values, these contributed services are not recognized in the consolidated financial statements.

The Society also receives a significant amount of donated food contributions which the Society in turn distributes, the value of which was not recorded in these consolidated financial statements. The approximate value attributed to food donations is currently based on weight measurements priced at an average of \$2.50 per pound (2018 - \$2.50 per pound). For 2019, the estimated value for the approximate 1,652,000 pounds (2018 - 1,982,000 pounds) of food donations received is \$4,130,000 (2018 - \$4,955,000).

The above donated food values have not been audited or reviewed.

All other in kind donations are recorded to the extent the fair values can be determined and a tax receipt has been issued.

(d) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided over the useful life of the asset using the declining balance method at the following annual rates:

Asset	Rate
Automotive	30%
Computer equipment	45%
Computer software	45%
Warehouse equipment	20%

Leasehold improvements are amortized over the lesser of the lease term and the estimated remaining useful life.

Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide services, its carrying amount is written down to its residual value.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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.

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if they 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.

(f) Assets held for sale:

Capital assets are classified by the Society as an asset held for sale at the point in time when the asset is in a condition to be sold and is publicly seen to be for sale, management has committed to selling the asset and has a plan in place, there is an active market, and it is reasonably anticipated that the sale will be completed within a one-year period.

Assets held for sale are separately presented in the Statement of Financial Position and are reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. See note 3 for further discussion on the assets held for sale as at September 30, 2019.

(g) 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 amount of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of assets held for sale and capital assets and provisions for accrued liabilities. Actual results could differ from those estimates.

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

2. Consolidation with the Foundation:

During the year, the Society obtained control over the Foundation by virtue of changes to the by-laws requiring all the directors of the Society's board to be members of, and hence comprise the majority of the Foundation's Board. The Foundation is incorporated under the Societies Act (British Columbia) and is a charitable organization under the Act and, as such, is exempt from income taxes provided certain requirements of the Act are met. The purpose of the Foundation is to provide support to programs and operations of the Society.

The acquisition of control has been accounted for using the pooling of interest method of accounting. The results of operations have been included in the consolidated financial statements since October 1, 2018. The assets, liabilities and net assets of the Foundation at the time of acquisition of control on October 1, 2018 were as follows:

Assets	
Current assets:	
Cash	\$ 62,015
Accounts receivable and prepaid expenses	1,345
Short-term investment	40,866
	<hr/> 104,226
Capital assets	338,922
	<hr/> \$ 443,148

Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,151
Net assets:	
Invested in capital assets	338,922
Unrestricted funds	103,075
	<hr/> 441,997
	<hr/> \$ 443,148

3. Assets held for sale and subsequent event:

In September 2019, the Foundation listed for sale the property that the Society operates out of and hence the related land and building assets, with a net book value of \$332,271, met the criteria for presentation as held-for-sale assets as at September 30, 2019.

Subsequent to year end, on November 15, 2019, the sale of the property completed for cash proceeds of \$3,350,000, less selling costs of \$87,938, resulting in a gain on sale of \$2,929,791.

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

4. Long-term investment:

Long-term investment is recorded at amortized cost and consists of a term deposit bearing interest at 2.43% per annum and maturing in December 2021.

5. Internally restricted funds:

Internally restricted funds are held in the following accounts:

	2019	2018
Cash	\$ 305,659	\$ -
Internally restricted investments	1,200,000	1,616,000
	<u>\$ 1,505,659</u>	<u>\$ 1,616,000</u>

Internally restricted funds are held, as approved by the Board of Directors, to fund the Society's purchase of a new, larger facility to meet its needs. The funds held in internally restricted investments are recorded at amortized cost and consist of a term deposit bearing interest at a rate of 2.60% per annum and maturing within the next fiscal year. Interest earned is restricted and recorded in the restricted fund. The Society reinvests the funds upon maturity and they are not available for the general operations of the Society, therefore have been classified as a non-current asset.

6. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Automotive	586,086	294,270	291,816	158,503
Computer equipment	36,281	27,245	9,036	9,627
Computer software	50,400	49,040	1,360	2,472
Warehouse equipment	211,770	122,354	89,416	40,678
Leasehold improvements	99,903	61,495	38,408	37,845
	<u>\$ 984,440</u>	<u>\$ 554,404</u>	<u>\$ 430,036</u>	<u>\$ 249,125</u>

7. Other asset:

Other asset consists of a life insurance policy donated to the Society and is recorded at the cash surrender value.

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$13,193 (2018 - \$14,293) which includes amounts payable for payroll and sales taxes.

9. Deferred contributions:

Deferred contributions consist of restricted funds received including \$51,413 (2018 - \$45,459) related to unspent gaming grants and \$202,360 (2018 - \$157,741) restricted for other specific programs and operating grants. The amounts relating to unspent gaming grants are held in a separate bank account and included in cash. These amounts are deferred and will be recognized as revenue as related expenses are incurred.

	2019	2018
Balance, beginning of year	\$ 203,200	\$ 235,871
Contributions received during the year	315,072	250,561
Amounts spent and recognized as programs and gaming revenue	(264,499)	(217,428)
Amounts transferred to deferred capital contributions (note 10)	-	(65,804)
Balance, end of year	\$ 253,773	\$ 203,200

10. Deferred capital contributions:

The Society received contributions toward certain capital assets. These amounts have been deferred and are being amortized over the estimated useful lives of the related capital assets.

	2019	2018
Balance, beginning of year	\$ 66,676	\$ 21,036
Purchases funded from deferred contributions	252,512	65,804
	319,188	86,840
Amortization of deferred capital contributions	(63,603)	(20,164)
Balance, end of year	\$ 255,585	\$ 66,676

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

11. Net assets invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 430,036	\$ 249,125
Assets held for sale	332,271	-
Amounts financed by deferred capital contributions	(255,585)	(66,676)
	<u>\$ 506,722</u>	<u>\$ 182,449</u>

(b) Excess of revenue over expenses:

	2019	2018
Amortization of deferred capital contributions	\$ 63,603	\$ 20,164
Amortization of capital assets	(123,535)	(87,263)
	<u>\$ (59,932)</u>	<u>\$ (67,099)</u>

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

	2019	2018
Purchase of capital assets	\$ 302,041	\$ 78,849
Disposal of capital assets	(4,246)	-
Purchases funded by deferred contributions	(252,512)	(65,804)
	<u>45,283</u>	<u>13,045</u>
Acquisition of control of Surrey Food Bank Foundation (note 2)	338,922	-
	<u>\$ 384,205</u>	<u>\$ 13,045</u>

12. Interfund transfer:

During the year, the Society transferred \$140,000 (2018 - nil) from internally restricted funds to unrestricted funds to fund the deposit on the new property (note 15).

13. Commitment:

The Society is committed to a lease on a storage facility with remaining minimum lease payments of \$83,432 due in 2020.

SURREY FOOD BANK SOCIETY

Notes to Consolidated Financial Statements

Year ended September 30, 2019

14. Employee and contractor remuneration:

For the fiscal year ended September 30, 2019, the Society paid remuneration of \$167,443 (2018 - \$153,737) to two (2018 - two) employees. These are the Society's only employees or contractors who received total annual remuneration of \$75,000 or greater.

No remuneration was paid to any members of the Society's Board of Directors.

15. Subsequent event:

Subsequent to year-end, on October 4, 2019, the Foundation closed on the acquisition of a new property which will be used by the Society to operate the food bank. The property purchase price including closing costs totaled \$7,211,000. The Society plans to move into the new premises by June 30, 2020.

The purchase is funded by proceeds from the sale of the asset held for sale (note 3), internally restricted funds, and a mortgage with Envision Credit Union in the amount of \$2,365,000, payable in blended monthly installments of \$14,047 at an interest rate of prime plus 1%.

As at September 30, 2019, \$260,000 was paid as a deposit on the purchase of the property and included in prepaid expenses and deposits.

16. Financial risks:

(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 to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from the prior year.

(b) Interest rate risk and concentration of credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. Interest revenue relating to the Society's cash and long-term investments would not be affected by fluctuations in the market interest rates due to the investments being at fixed rates of interest. There has been no significant change to the risk exposure from the prior year.

It is management's opinion that the Society is not subject to any foreign exchange or other market risks related to its financial instruments.