Financial Statements of

# SASKATOON FOOD BANK INCORPORATED

And Independent Auditor's Report thereon

Year ended March 31, 2023

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Saskatoon Food Bank Incorporated

## *Qualified Opinion*

We have audited the financial statements of Saskatoon Food Bank Incorporated (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 auditor's report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2023 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Entity derives revenue from donations, clothing depot, gift card donations and miscellaneous fundraisers, 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at end of March 31, 2023 and March 31, 2022.
- the donations, clothing depot, gift card donations and miscellaneous fundraisers revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2023 and March 31, 2022.
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2023 and March 31, 2022.
- the excess of revenues over expense reported in the statements of cash flows for the year ended March 31, 2023 and March 31, 2022.

Our opinion on the financial statements for the year ended March 31, 2022 was qualified accordingly because of the possible effect 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 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 Entity'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 Entity'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 Entity 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.

KPMG LLP

Chartered Professional Accountants

Saskatoon, Canada

June 27, 2023

# SASKATOON FOOD BANK INCORPORATED

Statement of Financial Position

March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 2,255,371 | $ 1,944,687 |
| Accounts receivable | - | 3,599 |
| Term deposits (note 2) | 4,509,335 | 4,892,752 |
| GST recoverable | 14,660 | 29,743 |
| Gift cards | 95,701 | 101,303 |
| Deposits | - | 50,000 |
| | 6,875,067 | 7,022,084 |
| Term deposits (note 2) | 975,899 | 354,548 |
| Property and equipment (note 3) | 3,482,156 | 514,708 |
| | $ 11,333,122 | $ 7,891,340 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 4) | $ 309,573 | $ 227,463 |
| Deferred revenue | 206,964 | 292,225 |
| | 516,537 | 519,688 |
| Deferred contributions related to property and equipment (note 5) | 1,279,061 | - |
| Net Assets | | |
| Invested in property and equipment | 2,203,095 | 514,708 |
| Operating reserve | 925,000 | 925,000 |
| Contingency fund reserve | 1,000,000 | 1,000,000 |
| Unrestricted net assets | 5,409,429 | 4,931,944 |
| | 9,537,524 | 7,371,652 |
| | $ 11,333,122 | $ 7,891,340 |

See accompanying notes to financial statements.

On behalf of the Board:

Austin Ostashek _______________ Director

Laura Rizzo _______________ Director

# SASKATOON FOOD BANK INCORPORATED

Statement of Operations and Surplus

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|---|---|
| Revenue: | | |
| Donations | $ 3,152,234 | $ 3,452,279 |
| Community works program | 311,841 | 357,402 |
| Collaborative grants | 271,820 | 282,207 |
| Grants | 241,583 | 458,277 |
| Golf fundraiser | 144,568 | 14,250 |
| Clothing depot | 119,464 | 94,317 |
| Miscellaneous fundraisers | 103,979 | 4,597 |
| Interest | 100,553 | 58,526 |
| Rental income | 78,801 | - |
| Other | 52,472 | 36,270 |
| Amortization of deferred capital contribution | 32,796 | - |
| Gift card donations | 30,911 | 13,615 |
| | 4,641,022 | 4,771,740 |
| Expenses: | | |
| Wages and benefits | 2,233,023 | 2,012,500 |
| Professional fees | 480,645 | 278,691 |
| Food | 283,697 | 196,129 |
| Collaborative grants | 275,229 | 279,876 |
| Amortization | 132,544 | 97,637 |
| Community works program | 114,571 | 131,658 |
| Literacy | 95,323 | 143,311 |
| Supplies | 61,472 | 68,548 |
| Utilities | 60,263 | 52,655 |
| Vehicle and travel | 55,633 | 46,762 |
| Equipment maintenance and repair | 55,348 | 152,906 |
| Miscellaneous fundraisers | 55,054 | 8,709 |
| Insurance | 37,763 | 28,512 |
| Clothing depot | 37,368 | 33,850 |
| Advertising | 36,077 | 30,980 |
| Gift card purchases | 30,911 | 13,615 |
| GST paid | 30,182 | 29,687 |
| Telephone and internet | 28,819 | 23,963 |
| Building maintenance and repair | 24,158 | 28,901 |
| Property tax | 12,373 | - |
| Equipment lease | 6,694 | 7,642 |
| Directors' insurance | 3,004 | 2,311 |
| Building alarm system | 1,605 | 1,947 |
| Bank charges | 1,037 | 1,308 |
| Food transportation | - | 3,867 |
| | 4,152,793 | 3,675,965 |
| Excess of revenue over expenses | $ 488,229 | $ 1,095,775 |

See accompanying notes to financial statements.

# SASKATOON FOOD BANK INCORPORATED

Statement of Net Assets

Year ended March 31, 2023, with comparative information for 2022

| March 31, 2023 | Invested in property and equipment | Operating reserve | Contingency fund reserve | Unrestricted | Total |
|---|---|---|---|---|---|
| Balance, beginning of year | $ 514,708 | $ 925,000 | $ 1,000,000 | $ 4,931,944 | $ 7,371,652 |
| Excess of revenue over expenses | - | - | - | 488,229 | 488,229 |
| Amortization of deferred capital contributions | 32,796 | - | - | (32,796) | - |
| Amortization of capital assets | (132,544) | - | - | (132,544) | - |
| Capital contributions (note 5) | (2,989,500) | - | - | 2,989,500 | - |
| Purchase of property and equipment | 3,099,992 | - | - | (3,099,992) | - |
| Contributions for allocated to purchase of land (note 5) | 1,677,643 | - | - | - | 1,677,643 |
| Balance, end of year | $ 2,203,095 | $ 925,000 | $ 1,000,000 | $ 5,409,429 | $ 9,537,524 |

| March 31, 2022 | Invested in property and equipment | Operating reserve | Contingency fund reserve | Unrestricted | Total |
|---|---|---|---|---|---|
| Balance, beginning of year | $ 510,728 | $ 900,000 | $ - | $ 4,865,149 | $ 6,275,877 |
| Excess of revenue over expenses | - | - | - | 1,095,775 | 1,095,775 |
| Amortization of capital assets | (97,637) | - | - | 97,637 | - |
| Purchase of property and equipment | 101,617 | - | - | (101,617) | - |
| Internally imposed restrictions | - | 25,000 | 1,000,000 | (1,025,000) | - |
| Balance, end of year | $ 514,708 | $ 925,000 | $ 1,000,000 | $ 4,931,944 | $ 7,371,652 |

See accompanying notes to financial statements.

# SASKATOON FOOD BANK INCORPORATED
Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | $ 488,229 | $ 1,095,775 |
| Items not involving cash: | | |
| Amortization | 132,544 | 97,637 |
| Reinvested investment income on term deposits | (66,281) | (35,357) |
| Amortization of deferred capital contributions | (32,796) | - |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 3,599 | 139 |
| GST recoverable | 15,083 | (5,021) |
| Gift cards | 5,602 | (15,948) |
| Prepaid expenses | - | 698 |
| Deposits | 50,000 | (50,000) |
| Accounts payable and accrued liabilities | 82,110 | (22,641) |
| Deferred revenue | (85,261) | 206,870 |
| | 592,829 | 1,272,152 |
| Financing: | | |
| Deferred contributions related to property and equipment | 2,989,500 | - |
| Investments: | | |
| Purchase of term deposits | (171,653) | (2,018,594) |
| Purchase of property and equipment | (3,099,992) | (101,617) |
| | (3,271,645) | (2,120,211) |
| Increase (decrease) in cash | 310,684 | (848,059) |
| Cash, beginning of year | 1,944,687 | 2,792,746 |
| Cash, end of year | $ 2,255,371 | $ 1,944,687 |

See accompanying notes to financial statements.

**Nature of operations**:

The Saskatoon Food Bank Incorporated (the "Organization") is a non-profit organization whose principal operations are the collection of food through donations from individuals, churches, and other organizations and the distribution of food to persons who are in need of such assistance. The collection and distribution of such food has not been accounted for in these financial statements. The Saskatoon Food Bank also provides a number of other services to the community to address the root causes of poverty and hunger, including: a community kitchen and garden, infant nutrition support, a clothing depot, and a volunteer income tax program.

**1. Significant accounting policies:**

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Items subject to such estimates and assumptions include the carrying amount of property and equipment and their estimated useful life. Actual results could differ from these estimates.

(c) Cash:

Cash consists of balances with financial institutions which have an initial term to maturity of three months or less.

(d) Financial instruments:

Financial instruments (cash, accounts receivable, GST recoverable, term deposits, gift cards, accounts payable and accrued liabilities) are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded as cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

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 financial costs, which are amortized using the effective interest rate method.

**1. Significant accounting policies (continued):**

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount of timing of future cash flows from the financial assets. 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 Organization 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.

(e) Property and equipment:

Property and equipment are stated at cost, or at the estimated value of donated assets at the time of donation. Amortization is recorded over the estimated useful lives of the assets using the following method and annual rates:

| Asset | Method | Rate |
|---|---|---|
| Building | Straight-line | 20 years |
| Vehicles and forklift | Straight-line | 7 years |
| Equipment | Straight line | 10 years |
| Furniture and fixtures | Straight-line | 10 years |
| Computers | Straight-line | 5 years |

When property and equipment no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

(f) Revenue recognition:

The Organization recognizes contributions in accordance with the deferral method. Under the deferral method, contributions for which externally imposed restrictions remain unfulfilled are accumulated as deferred revenue in the statement of financial position. Unrestricted contributions are recorded as revenue in the year received. Restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the same period or periods as the related expenses are recognized. Restricted contributions for the purchase of property and equipment are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related property and equipment. Restricted contributions for the purchase of property and equipment that is not amortized is recognized as a direct increase in net assets.

**1. Significant accounting policies (continued):**

Donations, fundraising, and other revenue are recorded as revenue in the year received. Clothing revenue is recognized in the statement of operations when the related services have been provided and the collection is reasonable assured. Investment income is recognized as revenue when benefits accrue.

(g) Deferred revenue:

Deferred revenue includes donations received from Loblaws, Saskatoon Co-op and Sobeys' customers in the form of gift cards to be used towards the purchase of groceries and other essential items at these stores. The amounts recorded on the statement of financial position are recognized as revenue and expenses when the gift cards are used. Deferred revenue also includes funding received for programming and services with external restrictions and will be recorded as revenue on the statement of operations in the year in which the Organization completes requires of the funding.

(h) Restriction on net assets:

The Board has determined that the Organization needs to retain a level of uncommitted funds to support the organization in periods of financial uncertainty. The Board established the following criteria to guide the use of internally restricted funds to be held available for the sustainability of the Organization as required.

Operating reserve:

- Six months of operating budget

Contingency fund reserve:

- $1,000,000 for emergency and disaster response reserve

**2. Term deposits:**

Term deposits of $4,509,335 (2022 - $4,892,752), classified as current assets in the statement of financial position, have effective interest rates ranging from 2.10% - 5.05% (2022 - 1.05% - 3.05%) and maturity dates ranging from August 2023 to March 2024.

Term deposits of $975,899 (2022 - $354,548), classified as long term assets in the statement of financial position, have effective interest rates ranging from 4.0% - 4.2% (2022 - 2.1% - 4.0%) and maturity dates ranging from September 2024 to March 2028.

### 3. Property and equipment:

| | | | 2023 | 2022 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Land | $ 1,865,000 | $ - | $ 1,865,000 | $ 165,000 |
| Building | 2,148,271 | 788,788 | 1,359,483 | 122,243 |
| Vehicles and forklift | 332,137 | 325,311 | 6,826 | 10,981 |
| Equipment | 309,351 | 221,300 | 88,051 | 47,562 |
| Furniture and fixtures | 121,223 | 65,275 | 55,948 | 59,141 |
| Computers | 248,678 | 141,830 | 106,848 | 109,781 |
| | $ 5,024,660 | $ 1,542,504 | $ 3,482,156 | $ 514,708 |

In the year ended March 31, 2023, the Organization has assessed for full and partial impairment on property and equipment and determined that there are none.

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $10,032 (2022 - $8,343), which includes amounts payable for payroll related withholdings.

### 5. Deferred contributions related to property and equipment:

Deferred contributions related to property and equipment represent restricted contributions received from funders for the purchase of capital assets. Contributions are deferred and recognized as revenue as the related assets are amortized. The change in the deferred contribution balance for the year is as follows:

| | 2023 | 2022 |
|---|---|---|
| Contributions received | $ 2,989,500 | $ - |
| Amounts amortized to revenue | (32,796) | - |
| Contributions used to purchase land | (1,677,643) | - |
| Balance, end of year | $ 1,279,061 | $ - |

## 6. Line of credit:

The Organization has an operating line of credit available with Affinity Credit Union 2013 ("ACU") for $1,000,000 (2022 - $1,000,000) with interest at ACU prime rate plus 0.50% per annum, currently 7.2% (2022 - 3.2%). At March 31, 2023, there was no amount outstanding on the line (2022 - $nil). The ACU operating line of credit is secured under terms of the general borrowing resolution, specific borrowing resolution and line of credit agreement. The Organization has pledged as security the first registered mortgage in the amount of $1,000,000 against the property at 202 Ave C South in Saskatoon, Saskatchewan, and assignment of policy proceeds showing ACU as the loss payee.

## 7. Gifts in kind:

Tax receipts were issued in the amount of $343,761 (2022 - $544,618) for gifts in kind representing mostly food products for the year. The monetary value of the gifts are not reflected in the statement of operations and surplus.

A number of volunteers provide significant amounts of time to the activities of the Organization. Due to the difficultly in assigning values for such services, the value of donated time is not reflected in the financial statements.

The Organization also handles assorted food and consumer products, the value of which is not recorded in the accounts and have not been audited. Management approximates values attributed to food donations based on weight measurements priced at an average of $7.07 per kilogram (2022 - $5.78 per kilogram), based on Food Banks Canada food valuation report. The estimated value for 2023 was $10,116,745 (2022 - $7,510,492).

**8. Financial instruments and risk management:**

The carrying value of the Organization’s financial assets and liabilities, including cash, accounts receivable, GST recoverable and accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these items.

Investments and short-term investments are comprised of GIC's which are carried at amortized cost on the statement of financial position. The fair value of investments is approximately equal to their carrying value.

The Organization is exposed to liquidity risk, credit risk and interest rate risk in relation to its financial instruments.

a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by actively monitoring its operating requirements. The Organization prepares a budget to ensure that it has sufficient funds to fulfil its obligations and allocates funds to reserves for planned future expenditures. There has been no change to the risk exposure from 2022.

b) Credit risk:

The Organization is also exposed to credit risk primarily on its term deposits. Credit risk related to term deposits is minimized by dealing with financial institutions that have strong credit ratings. There has been no change to the risk exposure from 2022.

c) Interest rate risk:

The Organization is exposed to interest rate risk on its operating line of credit and from fluctuation in interest rates on amounts invested in interest bearing accounts and investments. This risk is considered minimal due to the amount of balance drawn on the credit line and nature of investments consist of guaranteed investment certificates which will be used to fund the reserves.