

**VETERANS ASSOCIATION FOOD BANK**

**Financial Statements**

**Period Ended May 31, 2020**

VETERANS ASSOCIATION FOOD BANK  
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Period Ended May 31, 2020

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**NUMERIS LLP**  
Chartered Professional Accountants

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of Veterans Association Food Bank

*Qualified Opinion*

We have audited the financial statements of Veterans Association Food Bank (the Association), which comprise the statement of financial position as at June 12, 2019 and May 31, 2020, and the statements of revenues and expenditures, changes in net assets and cash flows for the periods 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 June 12, 2019 and May 31, 2020, and the results of its operations and cash flows for the periods then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Association derives revenue from fundraising activities, which includes donations and other receipts, 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 Association. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenue, excess of revenues over expenses, and cash flows from operations for the periods ended June 12, 2019 and May 31, 2020, current assets and net assets as at June 12, 2019 and May 31, 2020. Our audit opinion on the financial statements for the year ended June 12, 2019 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with 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 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 ASNPO, 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 related 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 Auditor's Report to the Members of Veterans Association Food Bank (continued)

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 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 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.

Calgary, Alberta  
December 17, 2020

*Numeris LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

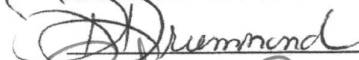

VETERANS ASSOCIATION FOOD BANK

Statement of Financial Position

May 31, 2020

	May 31 2020	June 12 2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 896,304	\$ 165,878
Term deposits (Note 4)	50,290	-
Accounts receivable (Note 7)	64,854	-
Goods and services tax recoverable	5,998	-
Prepaid expenses and other assets	12,036	-
	<u>1,029,482</u>	<u>165,878</u>
CAPITAL ASSETS (Note 5)	132,541	5,415
PREPAID RENT	<u>15,285</u>	<u>4,400</u>
	<u>\$ 1,177,308</u>	<u>\$ 175,693</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	<u>\$ 63,976</u>	<u>\$ 12,056</u>
<b>NET ASSETS</b>		
Unrestricted	980,791	158,222
Invested in capital assets	<u>132,541</u>	<u>5,415</u>
	<u>1,113,332</u>	<u>163,637</u>
	<u>\$ 1,177,308</u>	<u>\$ 175,693</u>

ON BEHALF OF THE BOARD

 Director  
 Director

See notes to financial statements

**VETERANS ASSOCIATION FOOD BANK****Statement of Revenues and Expenditures****Period Ended May 31, 2020**

	<i>May 31</i> <b>2020</b> <i>(11 and one half months)</i>	<i>June 12</i> <b>2019</b> <i>(9 months)</i>
<b>REVENUES</b>		
Donations	\$ 1,310,222	\$ 288,245
Donations-in-kind	118,520	-
Government funding (Note 7)	90,702	-
Other revenues	4,336	2,010
Interest	3,822	-
	<u>1,527,602</u>	<u>290,255</u>
<b>EXPENSES</b>		
Veterans assistance program	154,569	22,517
Rent and utilities	98,365	52,344
Salaries and wages	88,621	-
Donations-in-kind	58,368	-
Administrative and general	46,144	7,136
Hamper program	44,701	22,490
Advertising and fundraising	37,851	2,982
Repairs and maintenance	12,083	3,737
Professional fees	11,321	8,000
Veterans meal programs	11,125	3,710
Vehicle	8,244	3,100
Amortization	6,515	602
	<u>577,907</u>	<u>126,618</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 949,695</b>	<b>\$ 163,637</b>

See notes to financial statements

VETERANS ASSOCIATION FOOD BANK

Statement of Changes in Net Assets

Period Ended May 31, 2020

	Unrestricted	Invested in Capital Assets	May 31 2020	June 12 2019
<b>NET ASSETS - BEGINNING OF PERIOD</b>	\$ 158,222	\$ 5,415	\$ 163,637	\$ -
EXCESS OF REVENUES OVER EXPENSES	949,695	-	949,695	163,637
Net capital asset acquisitions	(127,126)	127,126	-	-
<b>NET ASSETS - END OF PERIOD</b>	<b>\$ 980,791</b>	<b>\$ 132,541</b>	<b>\$ 1,113,332</b>	<b>\$ 163,637</b>

See notes to financial statements

VETERANS ASSOCIATION FOOD BANK

Statement of Cash Flows  
Period Ended May 31, 2020

	May 31 2020 <i>(11 and one half months)</i>	June 12 2019 <i>(9 months)</i>
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 949,695	\$ 163,637
Item not affecting cash:		
Amortization of capital assets	6,515	602
	<u>956,210</u>	<u>164,239</u>
Changes in non-cash working capital:		
Accounts receivable	(64,854)	-
Accounts payable and accrued liabilities	51,920	12,056
Prepaid expenses and other assets	(12,036)	-
Prepaid rent	(10,885)	(4,400)
Goods and services tax payable	(5,998)	-
	<u>(41,853)</u>	<u>7,656</u>
Cash flow from operating activities	<u>914,357</u>	<u>171,895</u>
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	(133,641)	(6,017)
<b>INCREASE IN CASH FLOW</b>	<b>780,716</b>	<b>165,878</b>
Cash - beginning of period	165,878	-
<b>CASH - END OF PERIOD</b>	<b>\$ 946,594</b>	<b>\$ 165,878</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 896,304	\$ 165,878
Term deposits	50,290	-
	<u>\$ 946,594</u>	<u>\$ 165,878</u>

See notes to financial statements



VETERANS ASSOCIATION FOOD BANK

Notes to Financial Statements

Period Ended May 31, 2020

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1. PURPOSE OF THE ASSOCIATION

The Veterans Association Food Bank [the "Association"] is registered under the Societies Act of the Province of Alberta and is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes and may issue tax deductible receipts to donors. The Association is dedicated to providing assistance and support to veterans and their families in need.

The Association currently operates a food bank in Calgary and subsequent to year end a second location was opened in Edmonton. The Association will also be opening a thrift store in Calgary in the coming year.

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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 (ASNFPO). These financial statements have been prepared in accordance with GAAP and reflect the following significant accounting policies.

Cash and cash equivalents

Cash and cash equivalents consists of cash and short-term investments that have maturities at the date of purchase of less than ninety days.

Capital assets

Capital assets are recorded at cost when purchased. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	20%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	5 years	straight-line method

Revenue recognition

Veterans Association Food Bank follows the deferral method of accounting for contributions which includes grants and donations.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest and other investment income is recognized as revenue when earned.

Donated services and materials

The operations of the Association depends on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and labour can be difficult to determine and are reflected in these financial statements only when their fair value can be reasonably determined and a donation receipt is given.

The Associations efforts are dependent on volunteer time. As it is difficult to determine the fair value of these services they are not recorded in these financial statements.

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VETERANS ASSOCIATION FOOD BANK

Notes to Financial Statements

Period Ended May 31, 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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.

Measurement uncertainty

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Amortization is based on the estimated useful lives of the capital assets.

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3. CASH AND CASH EQUIVALENTS

	<i>May 31</i> <b>2020</b>	<i>June 12</i> <b>2019</b>
Cash accounts - Unrestricted	\$ 890,978	\$ 163,756
Gaming account - Restricted	5,326	2,122
	<b>\$ 896,304</b>	<b>\$ 165,878</b>

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4. TERM DEPOSITS

	<i>May 31</i> <b>2020</b>	<i>June 12</i> <b>2019</b>
Guaranteed investment certificate, bearing interest at 1.81% per annum, due December 7, 2020	\$ 50,290	\$ -

VETERANS ASSOCIATION FOOD BANK

Notes to Financial Statements

Period Ended May 31, 2020

5. CAPITAL ASSETS

	Cost	Accumulated amortization	May 31 2020 Net book value	June 12 2019 Net book value
Equipment	\$ 50,000	\$ 5,000	\$ 45,000	\$ -
Furniture and fixtures	10,334	2,117	8,217	5,415
Leasehold improvements	79,324	-	79,324	-
	<u>\$ 139,658</u>	<u>\$ 7,117</u>	<u>\$ 132,541</u>	<u>\$ 5,415</u>

Leasehold improvements are not amortized as at year end as the work has not been completed and the space is not available for use. The premises lease agreement provides for a one-time leasehold improvement allowance of \$75,000 including GST not yet received or recorded in the records of the Association at year end.

The Association received a contribution of a walk-in freezer during the year. The equipment has been initially recognized in the financial statements at its fair value of \$50,000. The Association also received donated material in respects to the leasehold improvements in the amount of \$10,152 which has been recorded at fair value.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities as at May 31, 2020, is an amount due to an employee of the Association in the amount of \$3,937 (2019 - \$3, 217).

7. GOVERNMENT FUNDING

The Association received the 10% Temporary Wage Subsidy (TWS) and the Canada Emergency Wage Subsidy (CEWS) for certain specified periods during the year as part of the COVID-19 economic response plan provided by the federal government. The TWS reduces the amount of income tax source deductions that the employers have to remit to CRA on behalf of their employees by up to 10% of their remuneration to specified maximums. The CEWS allows for a 75% wage subsidy to eligible employers to specified maximums adjusted for amounts claimed under the TWS. Total amount included in government funding in respect to the wage subsidies as at May 31, 2020 is \$25,848.

During the year, the Association was approved to receive emergency funding available for charities provided by the Alberta government to support their COVID-19 response in the amount of \$64,854. As at May 31, 2020, included in accounts receivable is the amount of \$64,854. Funds are to be spent on various program costs as detailed in the application.

VETERANS ASSOCIATION FOOD BANK

Notes to Financial Statements

Period Ended May 31, 2020

8. LEASE COMMITMENTS

The Association leases premises for the Calgary food bank under a long term lease commencing January 1, 2020 that expires on December 31, 2024. Under the lease, the Association is required to pay a base rent of \$118,652 plus GST for the first three years and \$125,843 plus GST for the final two years of the five year term. In addition to the above base rent, the Association must pay for its proportionate share of utilities, maintenance and other related costs for the leased premises. Provided under the lease agreement is a one-time leasehold improvement allowance of \$75,000 including GST. The lease contains a renewal option. Future minimum lease payments as at year end are as follows:

2021	\$	118,652
2022		118,652
2023		121,648
2024		125,843
		<u>484,795</u>
	\$	<u>484,795</u>

The Association has a long term lease with respect to its premises in Calgary for the thrift store commencing October 1, 2020 and expiring December 31, 2024. Under the lease, the Association is required to pay a base rent of \$87,990 plus GST for the first two years and \$90,072 plus GST for the final two years of the four year term. In addition to the above base rent, the Association must pay for its proportionate share of utilities, maintenance and other related costs for the leased premises. The lease contains renewal options. Future minimum lease payments as at year end are as follows:

2021	\$	58,660
2022		87,990
2023		88,858
2024		90,072
2025		52,542
		<u>378,122</u>
	\$	<u>378,122</u>

The Association has a one year term lease with respect to its premises in Edmonton for the food bank commencing November 1, 2020 and expiring October 31, 2021. Under the lease, the Association is required to pay a base rent of \$55,296 plus GST. In addition to the above base rent, the Association must pay for its proportionate share of utilities, maintenance and other related costs for the leased premises. The lease contains renewal options. Future minimum lease payments as at year end are as follows:

2021	\$	32,256
2022		23,040
		<u>55,296</u>
	\$	<u>55,296</u>

9. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of May 31, 2020.

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 customers and its cash, cash equivalents and investments. The Association's customers include government agencies and donors. The Association minimizes its credit risk relating to cash, cash equivalents and investments by placing its cash with major financial institutions.

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 customers and other related sources and accounts payable and accrued liabilities.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its term deposits.

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10. SIGNIFICANT EVENT

The global outbreak of COVID-19 has severely impacted global and local economies due to varying restrictions put in place by federal and local governments around the world. As a result, the Association has cancelled certain events which impacts the amount of contributions received during the period of closures and restrictions. The restrictions enforced are continually changing and the extent to which COVID-19 will impact the Association's ongoing operations will depend on future developments, which are highly uncertain and cannot be predicted at this time.

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