

FORT MCMURRAY FOOD BANK ASSOCIATION

Financial Statements

Year Ended December 31, 2011

FORT MCMURRAY FOOD BANK ASSOCIATION
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Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Members of Fort McMurray Food Bank Association

We have audited the accompanying financial statements of Fort McMurray Food Bank Association, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and changes in net assets, 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 generally accepted accounting principles, 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.

Auditor's 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 charitable organizations, the organization derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we

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Independent Auditor's Report to the Members of Fort McMurray Food Bank Association *(continued)*

been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Fort McMurray Food Bank Association as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The financial statements of Fort McMurray Food Bank Association for the year ended December 31, 2010, were audited by another auditor who expressed a qualified opinion on June 14, 2011 for being unable to verify the completeness of revenue derived from donations which is the same basis for qualified opinion described above.

As part of our audit of the 2011 financial statements, we also audited the adjustments described in Note 2 that were applied to amend the 2010 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2010 financial statements of the organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2010 financial statements taken as a whole.



Edmonton, AB
May 31, 2012

CHARTERED ACCOUNTANTS

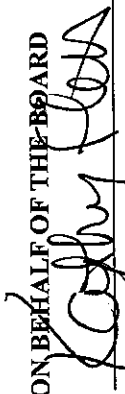
FORT MCMURRAY FOOD BANK ASSOCIATION

Statement of Financial Position

As at December 31, 2011

	2011	2010 <i>(Note 2)</i>
ASSETS		
CURRENT ASSETS		
Cash	\$ 274,986	\$ 470,660
Accounts receivable <i>(Note 4)</i>	81,198	500
Prepaid expenses	1,932	2,552
	<u>358,116</u>	473,712
PROPERTY AND EQUIPMENT <i>(Note 5)</i>	<u>154,075</u>	<u>2,600,000</u>
	<u>\$ 512,191</u>	<u>\$ 3,073,712</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 15,442	\$ 29,920
Current portion of obligations under capital lease	147,875	237,006
	<u>163,317</u>	266,926
OBLIGATIONS UNDER CAPITAL LEASE	<u>-</u>	<u>2,162,994</u>
	163,317	2,429,920
	<u>348,874</u>	<u>643,792</u>
NET ASSETS	<u>\$ 512,191</u>	<u>\$ 3,073,712</u>

ON BEHALF OF THE BOARD


 Kathy Floss
 Director


 Director

FORT MCMURRAY FOOD BANK ASSOCIATION
Statement of Operations and Changes in Net Assets
Year Ended December 31, 2011

	2011	2010
		<i>(Note 2)</i>
REVENUE		
Donations	\$ 557,800	\$ 390,669
Raffle and other	12,078	-
Rent	9,924	-
	<u>579,802</u>	<u>390,669</u>
EXPENSES		
Rent	178,403	85,525
Salaries and benefits	151,895	139,007
Advertising and promotion	30,207	19,925
Food purchases	17,282	69,502
Amortization of property and equipment	17,119	-
Professional fees	15,336	10,843
Office	14,200	5,439
Property taxes	12,545	4,197
Telecommunications	6,596	5,484
Utilities	5,837	10,094
Insurance	5,421	4,226
Subcontracts	5,243	2,667
Interest and bank charges	3,872	227
Repairs and maintenance	3,209	2,140
Equipment rentals	2,033	1,685
Vehicle	1,826	3,342
Interest on capital lease	1,573	-
Board	1,066	-
Travel	606	716
Licenses and fees	451	850
	<u>474,720</u>	<u>365,869</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS BEFORE OTHER EXPENSES	105,082	24,800
OTHER EXPENSES	400,000	-
Write-off of capital lease building deposits <i>(Note 5)</i>		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (294,918)</u>	<u>\$ 24,800</u>

FORT MCMURRAY FOOD BANK ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2011

	2011	2010
NET ASSETS - BEGINNING OF YEAR AS PREVIOUSLY REPORTED	\$ 660,372	\$ 623,783
Accounting error (<i>Note 2</i>)	(16,580)	-
Prior period adjustments	-	(4,791)
Net assets - beginning of year restated	643,792	618,992
Excess (deficiency) of revenue over expenses	(294,918)	24,800
NET ASSETS - END OF YEAR	\$ 348,874	\$ 643,792

FORT MCMURRAY FOOD BANK ASSOCIATION
Statement of Cash Flows
Year Ended December 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Cash receipts from donations, lease and other	\$ 499,104	\$ 393,879
Interest paid	(5,441)	(227)
Cash paid to suppliers and employees	(666,018)	(358,788)
Cash flow from (used by) operating activities	(172,355)	34,864
INVESTING ACTIVITY		
Purchase of property and equipment	(13,299)	-
FINANCING ACTIVITY		
Repayment of obligations under capital lease	(10,020)	(200,000)
DECREASE IN CASH	(195,674)	(165,136)
CASH - BEGINNING OF YEAR	470,660	635,796
CASH - END OF YEAR	\$ 274,986	\$ 470,660

FORT MCMURRAY FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2011

1. NATURE OF OPERATIONS

The Fort McMurray Food Bank was incorporated under the Societies Act of Alberta on December 22, 1983. The purpose of the organization is the operation of a food bank to alleviate hunger in the Fort McMurray area by soliciting donations and collecting food for distribution through a network of programs that serve target population groups. The Fort McMurray Food Bank receives support from the community, charitable organizations and corporate sponsorship. It is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act.

2. ACCOUNTING ERROR

During the year, it was determined that cash and donations revenue were overstated by \$16,580 in 2010 because undeposited funds were recorded in error. The correction of this error has been applied retrospectively and cash, closing net assets and donations revenue have been restated in the comparative period.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The organization follows the deferral method of accounting for contributions. 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.

Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. They are subsequently recorded at amortized cost and tested for impairment each reporting date.

Property and Equipment

Property and Equipment are stated at cost less accumulated amortization. Property and Equipment are amortized over their estimated useful lives at the following rates and methods:

Leasehold improvements	10%	straight-line method
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The organization regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standard for private enterprises 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 revenue 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.

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FORT MCMURRAY FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

Volunteers contribute time each year to aid the organization in carrying out its services and fundraising activities. Due to the difficulty in determining the fair value, the financial value of contributed services is not recognized in these financial statements.

Future Changes in Significant Accounting Policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective for the corporation. The corporation is currently evaluating the effect of adopting these standards, which it expects to do in fiscal year 2012.

The Accounting Standards Board will be implementing Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2012. The corporation will be assessing the impact of the new standards on its financial statements over the next year.

4. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Donations	\$ 79,857	\$ 500
GST	<u>1,341</u>	<u>-</u>
	<u>\$ 81,198</u>	<u>\$ 500</u>

FORT MCMURRAY FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2011

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Leasehold improvements	\$ 171,194	\$ 17,119	\$ 154,075	\$ -
Building	-	-	-	2,600,000
	<u>\$ 171,194</u>	<u>\$ 17,119</u>	<u>\$ 154,075</u>	<u>\$ 2,600,000</u>

Leasehold improvements with a cost of \$157,895 were acquired by the obligation under capital lease. Subsequent to the end of the year, the organization received funding from its new landlord adequate to extinguish the debt in 2012.

In 2010, the building was initially recorded as a capital asset and obligation under capital lease as it was the organization's intent to purchase the building at the end of the lease agreement. In 2011, the organization determined that it would not be able to purchase the asset at the end of the lease agreement and the ownership of the building changed in January 2012. The organization entered into a lease agreement with the new landlord as disclosed in Note 6.

As part of the building lease agreement, prior to moving into the building, the organization was required to make non-refundable payments of \$400,000 (2011 - \$200,00; 2010 - \$200,000). The 2010 payment of \$200,000 was initially recorded as a reduction of obligations under capital lease. The total payments of \$400,000 have been expensed during the year because of the termination of the applicable lease agreement in January 2012.

6. COMMITMENT

The organization is committed until January 31, 2022 under an operating lease for office premises to annual rent of \$138,000 plus occupancy expenses as defined in the lease.

FORT MCMURRAY FOOD BANK ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2011

7. FINANCIAL INSTRUMENTS

Fair Value

The organization's carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from donors. In order to reduce its credit risk, the organization will only record donations receivable when the value of the donation can be determined and collectability can be reasonably assured.

Interest Rate

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 organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank accounts and obligations under capital lease.

8. COMPARATIVE FIGURES

The comparative have been reclassified to conform to the current year's presentation.