

Calgary Meals on Wheels
Financial Statements
December 31, 2017

Management's Responsibility


To the Members of Calgary Meals on Wheels:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") and Finance and Audit Committee (the "Committee") are composed entirely of Directors who are neither management nor employees of the Society. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Society's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.



Janice Curtis
Executive Director

To the Members of Calgary Meals on Wheels:

We have audited the accompanying financial statements of Calgary Meals on Wheels, 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 auditors' 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, Calgary Meals on Wheels derives a significant portion of its revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of Calgary Meals on Wheels and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

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 Calgary Meals on Wheels 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.

Calgary, Alberta

March 19, 2018

MNP LLP

Chartered Professional Accountants

Calgary Meals on Wheels

Statement of Financial Position

As at December 31, 2017

	Operating Fund	Capital Restricted Fund	2017	2016
Assets				
Current				
Cash and cash equivalents	798,379	174,798	973,177	889,812
Accounts receivable	50,781	-	50,781	38,348
Goods and Services Tax receivable	7,289	3,104	10,393	18,093
Accrued revenue	8,883	-	8,883	12,452
Inventory (Note 3)	137,578	-	137,578	99,064
Prepaid expenses and deposits	6,466	1,523	7,989	10,963
	1,009,376	179,425	1,188,801	1,068,732
Restricted cash (Note 6) (Note 14)	500,000	575,000	1,075,000	975,000
Property and equipment (Note 4)	-	8,710,592	8,710,592	8,914,530
Intangible assets (Note 5)	-	8,671	8,671	12,258
	1,509,376	9,473,688	10,983,064	10,970,520
Liabilities				
Current				
Accounts payable and accruals	150,350	-	150,350	107,247
Deferred contributions (Note 8)	241,568	-	241,568	235,163
	391,918	-	391,918	342,410
Commitments (Note 10)				
Net Assets				
Restricted (Note 9)	125,463	754,426	879,889	956,239
Investment in property and equipment	-	8,719,263	8,719,263	8,926,788
Unrestricted	991,994	-	991,994	745,083
	1,117,457	9,473,689	10,591,146	10,628,110
	1,509,375	9,473,689	10,983,064	10,970,520

Approved by the Board of Directors



 Tim Gillespie, Board Treasurer



 Neil Horvath, Board President

Calgary Meals on Wheels

Statement of Operations

For the Year Ended December 31, 2017

	Operating Fund	Capital Restricted Fund	2017	2016
Revenue				
Client meals	1,355,023	-	1,355,023	1,303,814
Group meals	568,152	-	568,152	199,608
Meal fees	1,923,175	-	1,923,175	1,503,422
Operational fundraising	1,078,567	-	1,078,567	883,074
Major grants	846,387	-	846,387	891,937
Donations	-	124,566	124,566	65,100
Client administration fees	10,084	-	10,084	13,183
Delivery fees	9,230	-	9,230	2,300
Operating equipment fundraising	5,000	-	5,000	-
Miscellaneous	10	-	10	40
	3,872,453	124,566	3,997,019	3,359,056
Expenses				
Salaries and benefits	1,906,239	-	1,906,239	1,718,973
Production groceries and packaging	1,113,821	-	1,113,821	840,498
Facility and equipment	302,566	-	302,566	298,298
Administrative	101,788	-	101,788	88,654
Volunteer	58,007	-	58,007	51,724
Full Client Support Program	41,035	-	41,035	8,956
Professional fees	28,883	-	28,883	30,613
Bank and interest	23,318	-	23,318	29,665
Marketing	17,649	-	17,649	15,639
Consulting	14,401	-	14,401	17,346
Fundraising	10,934	-	10,934	20,280
Gift in kind	4,184	-	4,184	19,975
Outreach	1,920	-	1,920	-
Board meetings	1,408	-	1,408	836
Bad debts	440	-	440	1,540
Casino	34	-	34	-
	3,626,627	-	3,626,627	3,142,997
Excess of revenue over expenses before other items	245,826	124,566	370,392	216,059
Other items				
Interest income	1,085	-	1,085	5,647
Gain on disposal of property and equipment	-	-	-	5,241
Amortization	-	(408,441)	(408,441)	(406,879)
	1,085	(408,441)	(407,356)	(395,991)
Excess (deficiency) of revenue over expenses	246,911	(283,875)	(36,964)	(179,932)

Calgary Meals on Wheels

Statement of Changes in Net Assets

For the Year Ended December 31, 2017

	<i>Operating Fund</i>	<i>Capital Restricted Fund</i>	<i>Investment in Property and Equipment</i>	<i>2017</i>	<i>2016</i>
Net assets, beginning of the year	870,546	830,776	8,926,788	10,628,110	10,808,042
Excess (deficiency) of revenue over expenses	246,911	124,566	(408,441)	(36,964)	(179,932)
Property and equipment and intangible asset additions, net of disposals	-	(200,916)	200,916	-	-
Net assets, end of year	1,117,457	754,426	8,719,263	10,591,146	10,628,110

Calgary Meals on Wheels

Statement of Cash Flows

For the Year Ended December 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(36,964)	(179,932)
Amortization	408,441	406,879
Gain on disposal of property and equipment	-	(5,241)
	371,477	221,706
Net change in non-cash working capital (Note 13)	14,483	54,072
Net cash flows from operating activities	385,960	275,778
Investing		
Purchase of property and equipment	(200,916)	(29,320)
Proceeds on disposal of property and equipment	-	6,500
Net change in non-cash working capital accounts (Note 13)	(1,679)	4,385
Net cash flows used in investing activities	(202,595)	(18,435)
Increase in cash	183,365	257,343
Cash, beginning of year	1,864,812	1,607,469
Cash, end of year	2,048,177	1,864,812
Cash is comprised of:		
Cash	973,177	889,812
Restricted cash	1,075,000	975,000
	2,048,177	1,864,812

Calgary Meals on Wheels

Notes to the Financial Statements

For the Year Ended December 31, 2017

1. Operations

Calgary Meals on Wheels (the "Society") is a charitable organization whose mission is "Promoting health and independence by providing quality, nutritious and affordable meals".

The Society was incorporated under the Societies Act in the Province of Alberta on April 9, 1976, and, as a registered charity under the Income Tax Act (the "Act"), is exempt from income tax and may issue receipts to donors for tax deductible donations. To maintain its status as a registered charity under the Act, the Society must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada using the following significant accounting policies:

Fund Accounting

The Society follows the restricted fund method of accounting for contributions:

- I. The Operating Fund reports the assets, liabilities, revenues, and expenditures related to meal preparation, delivery and administrative activities.
- II. The Capital Restricted Fund reports the assets, liabilities, revenues, and expenditures related to the Society's property, equipment and services.

Cash and cash equivalents

Cash includes balances with banks, cash on hand and cashable term deposits.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution if fair value can be reasonably determined. When fair value cannot be determined, property and equipment have been recorded at nominal value.

Amortization is provided using the straight-line method at the following rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Automotive	7 years
Building	40 years
Computer equipment	3 years
Computer software	3 years
Equipment	7 years
Office equipment	5 years

2. Significant accounting policies (Continued from previous page)

Intangible assets

Intangible assets are recorded at cost less accumulated amortization using the straight-line method over their estimated useful lives as follows:

	Rate
Intangible fund development materials	5 years

Revenue recognition

The Society follows the restricted fund method of accounting for contributions. Restricted grants, pledges and donations are recognized as revenue in the appropriate fund. All other restricted contributions are recognized as revenue when the specified expenditures are made.

Unrestricted grants, pledges and donations are recognized as revenue of the operating fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the sale of meals is recognized at the time the meals are delivered to customers and collection is reasonably assured.

Interest income is recognized as revenue in the appropriate fund when earned.

Contributed services

Contributions of services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonable estimated and when the services are used in the normal course of the Society's operations and would otherwise have been purchased.

Volunteers contributed approximately 45,300 hours during the year (2016 – 43,500 hours) to assist the Society in carrying out its delivery of meals. Because of the difficulty of determining the fair value of time, contributed time by volunteers is not recognized in the financial statements. However, volunteers who drive their own vehicles to deliver client meals are reimbursed \$6 per trip. A trip is defined as 1 day of delivery, no matter route size or number of routes delivered by a single volunteer.

Financial instruments

The Society recognizes its financial instruments when it becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

The Society subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quote in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

2. Significant accounting policies (Continued from the previous page)

Financial asset impairment

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. The Society groups assets for impairment testing when there are numerous assets affected by the same factors. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess (deficiency) of revenue over expenses.

The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

Use of estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for spoiled inventory. Amortization is based on the estimated useful lives of property and equipment and intangible assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue and expenses in the periods in which they become known.

3. Inventory

During the year, \$1,113,821 (2016 - \$840,498) of inventory was recognized as an expense and included in production groceries and packaging.

4. Property and equipment

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2017 Net book value</i>	<i>2016 Net book value</i>
Land	1,125,451	-	1,125,451	1,125,451
Automotive	447,932	253,491	194,441	154,424
Building	7,803,226	870,773	6,932,453	7,114,417
Computer equipment	50,997	41,217	9,780	13,705
Computer software	31,204	31,204	-	-
Equipment	1,112,832	669,928	442,904	499,439
Office equipment	27,403	21,840	5,563	7,092
	10,599,045	1,888,453	8,710,592	8,914,530

During the year, \$404,854 (2016 - \$403,291) of amortization of property and equipment expense was included on the statement of operations.

Calgary Meals on Wheels
Notes to the Financial Statements
For the Year Ended December 31, 2017

5. Intangible assets

During the year ended December 31, 2015, \$17,939 of costs were capitalized for a video series purchased for fund development purposes. The videos were made available to the Society on June 1, 2015 and are amortized on a straight-line basis over 5 years. During the year, \$3,587 (2016 - \$3,588) of amortization was recorded and is included in the \$408,441 (2016 - \$406,879) on the statement of operations.

6. Restricted cash

The Society has term investments of \$575,000 designated for capital replacement and \$500,000 future program continuity and therefore these amounts as restricted cash at year-end.

7. Bank loans

The Society has an operating loan available which has a credit limit amount of \$100,000 (2016 - \$100,000). The loan bears interest at a variable rate of prime + 0.650% per annum. As at December 31, 2017 the operating loan has not been drawn on.

The loan is secured by a General Security Agreement over the Society's asset and has no set repayment terms. The Society must maintain a debt service coverage ratio of not less than 100% to be maintained always and tested at a minimum, annually. As at December 31, 2017 and throughout the year, the Society has met the covenant requirements and expects to remain compliant for the 12 months following these financial statements.

8. Deferred contributions

Deferred contributions consist of \$5,625 (2016 - \$3,855) prepaid client meals, \$138,214 (2016 - \$138,214) unspent funding for operations and program delivery, \$95,009 (2016 - \$93,094) unspent contributions externally restricted for delivery of the 100% client support program and \$2,720 (2016 - \$2,050) in donations towards 2018 Hot Chocolate Fest. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made.

9. Restricted net assets

Restricted funds consist of the following:

	<i>2017</i>	<i>2016</i>
Endowment Fund	125,463	125,463
Capital Restricted Fund	754,426	830,776
	879,889	956,239

During the year, the Society transferred certain assets, liabilities and net assets related to property and equipment from the Operating Fund to the Capital Restricted Fund.

10. Commitments

The Society has entered into various term agreements with estimated minimum annual payments until maturity as follows:

2018	27,900
2019	16,380
2020	10,282
2021	7,432
2022 and thereafter	961
	62,955

Calgary Meals on Wheels
Notes to the Financial Statements
For the Year Ended December 31, 2017

11. Financial instruments

The Society, as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Society would be exposed to interest rate cash flow risk should it use its operating loan.

12. Economic dependence

One of the Society's primary source of revenue is through donations. The Society's ability to continue viable operations is dependent upon maintaining its current level of public and private donations. The ability to maintain its level of donations is directly affected upon economic conditions and will fluctuate over the course of time.

13. Net change in non-cash working capital accounts

	2017	2016
Accounts receivable	(12,433)	8,468
Goods and Services Tax receivable	7,700	(9,955)
Inventory	(38,514)	26,408
Accrued revenue	3,569	(12,452)
Prepaid expenses and deposits	2,974	5,707
Accounts payable and accruals	43,103	(61,668)
Deferred contributions	6,405	101,949
	12,804	58,457

The change in non-cash working capital has been allocated to the following items:

	2017	2016
Operating	14,483	54,072
Investing	(1,679)	4,385
	12,804	58,457