

Financial Statements of

QUEST OUTREACH SOCIETY

And Independent Auditor's Report thereon

Year ended August 31, 2023



KPMG LLP

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Quest Outreach Society

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of Quest Outreach Society (the "Entity"), which comprise:

- the statement of financial position as at August 31, 2023
- the statement of operations for the year then ended
- the statement of changes in 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 August 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, 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 and deferred contributions reported in the statements of financial position as at August 31, 2023 and August 31, 2022
- the donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended August 31, 2023 and August 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 August 31, 2023 and August 31, 2022
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended August 31, 2023 and August 31, 2022.

Our opinion on the financial statements for the year ended August 31, 2022 was qualified 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 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 disclosure 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 matter 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.

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 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Vancouver, Canada
January 31, 2024

QUEST OUTREACH SOCIETY

Statement of Financial Position

August 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,391,271	\$ 937,621
Accounts receivable	80,266	79,103
Prepaid expenses	62,651	89,139
	<u>1,534,188</u>	<u>1,105,863</u>
Tangible capital assets (note 4)	1,852,029	1,819,157
	<u>\$ 3,386,217</u>	<u>\$ 2,925,020</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 140,618	\$ 130,885
Deferred revenue (note 6)	310,387	54,201
Deferred contributions (note 7)	95,490	88,205
	<u>546,495</u>	<u>273,291</u>
Deferred capital contributions (note 8)	145,303	129,211
	<u>691,798</u>	<u>402,502</u>
Net assets:		
Invested in tangible capital assets (note 9(a))	1,706,726	1,689,946
Unrestricted	987,693	832,572
	<u>2,694,419</u>	<u>2,522,518</u>
Commitments and contingencies (note 11)		
	<u>\$ 3,386,217</u>	<u>\$ 2,925,020</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chair of Quest Outreach Society Board

Director

QUEST OUTREACH SOCIETY

Statement of Operations

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

	2023	2022
Revenue:		
Grocery	\$ 2,750,708	\$ 2,293,115
Donations:		
Government and foundations	130,121	201,641
Public	280,533	231,279
Amortization of deferred capital contributions (note 8)	21,965	37,816
Other income (note 10)	22,889	94,529
	<u>3,206,216</u>	<u>2,858,380</u>
Expenses:		
Wages, contractors and benefits	1,870,118	1,925,208
Rent and utilities	389,534	345,772
Amortization	79,937	72,848
Vehicle operations	144,792	153,088
Garbage and cleaning supplies	73,036	81,594
Bank charges and interest	89,834	70,157
Repairs and maintenance	49,830	51,939
Office	144,846	134,977
Food	65,816	56,819
Insurance	32,107	27,056
Professional fees	49,970	97,249
Training	12,215	7,427
Marketing	32,280	12,864
	<u>3,034,315</u>	<u>3,036,998</u>
Excess (deficiency) of revenue over expenses	\$ 171,901	\$ (178,618)

See accompanying notes to financial statements.

QUEST OUTREACH SOCIETY

Statement of Changes in Net Assets

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

	Invested in tangible capital assets (note 9)	Unrestricted	Total 2023	Total 2022
Balance, beginning of year	\$ 1,689,946	\$ 832,572	\$ 2,522,518	\$ 2,701,136
Excess (deficiency) of revenue over expenses	(57,972)	229,873	171,901	(178,618)
Transfer for purchase of tangible capital assets	74,752	(74,752)	-	-
Balance, end of year	\$ 1,706,726	\$ 987,693	\$ 2,694,419	\$ 2,522,518

See accompanying notes to financial statements.

QUEST OUTREACH SOCIETY

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ 171,901	\$ (178,618)
Items not affecting cash:		
Amortization of deferred capital contributions	(21,965)	(37,816)
Amortization of tangible capital assets	79,937	72,848
	229,873	(143,586)
Changes in non-cash operating working capital:		
Accounts receivable	(1,163)	(51,121)
Prepaid expenses	26,488	7,902
Accounts payable and accrued liabilities	9,733	(10,213)
Deferred revenue	256,186	4,174
Deferred contributions	7,285	5,957
	528,402	(186,887)
Financing:		
Restricted capital contributions received	38,057	1,040
Investing:		
Purchase of tangible capital assets	(112,809)	(147,474)
Increase (decrease) in cash and cash equivalents	453,650	(333,321)
Cash and cash equivalents, beginning of year	937,621	1,270,942
Cash and cash equivalents, end of year	\$ 1,391,271	\$ 937,621

See accompanying notes to financial statements.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2023

1. Nature of operations:

Quest Outreach Society (the “Society”) is a not-for-profit organization incorporated on June 15, 1992 and is registered under the *Societies Act* (British Columbia). The Society is a registered charity pursuant to the *Income Tax Act* and exempt from income taxes.

The Society’s primary vision is to disrupt cycles of food insecurity through access to healthy and affordable food. The Society’s mission is to bridge the gap between food banks and grocery stores while providing a shopping experience for those in need based on principles of dignity, access and sustainability. The Society currently operates five non-profit grocery markets across Metro Vancouver, British Columbia, and serves over 16,000 individuals who identify as food insecure.

The Society’s clients are referred through a social service agency, a community-serving charity, non-profit, a church, social worker, doctor, nurse, teacher, principal, other professional sources, or organizations whose mission is to support individuals facing economic barriers.

People from all walks of life can qualify to become a client of the Society. Many clients, for example, identify as a student, senior, refugee, survivor, single parent or guardian, caregiver, or person with a disability. At any given time, the Society’s clients may be experiencing a traumatic event in their life that impacts their work and financial stability such as a death in their family, the loss of a job, the loss of a home, separation or divorce, a new or changing health prognosis, or significant grief event.

The Society’s primary values include:

- Dignity: “We strive to create welcoming, safe and beautiful spaces for both our clients and employees.”
- Access: “We ensure those who are referred to us can find the right product at the right time and at a price they can afford.”
- Sustainability: “We give food a second life while supporting healthy communities and stronger food systems for the planet.”

2. Significant accounting policies:

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 - Accounting. The significant accounting policies are as follows:

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Restricted non-capital contributions, including gaming, are recognized as revenue in the year in which the related expenses are incurred. Restricted capital contributions received specifically for the acquisition of tangible capital assets are initially recorded as deferred contributions and transferred to and recorded as deferred capital contributions when the amounts have been spent on tangible capital assets. Deferred capital contributions are amortized to revenue on the same basis as the related tangible capital assets are amortized.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2023

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Unrestricted contributions are recognized in the year in which funds are received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Grocery revenue is recognized at the point of sale in the grocery store, and online market revenue is recognized when the product is shipped to the customer. Amounts received in advance for the future sale of goods are deferred until the sale is recorded.

(b) Contributed services and materials:

The Society receives significant amounts of donated food which are subsequently sold or distributed at either a discounted cost recovery basis or at no cost. Donated food received is not recognized in the financial statements and no value has been assigned to the inventory on hand at year-end due to the difficulty in reasonably estimating their fair value.

The Society receives significant volunteer hours to assist in carrying out its service delivery activities. Due to the difficulty in reasonably estimating their fair value, these contributed services are not recognized in the financial statements.

The Society receives other contributed services and materials which are recorded when a fair value can be reasonably estimated and when the services and materials are used in the normal course of the Society's operations and would otherwise have been purchased.

(c) Tangible capital assets:

Tangible capital assets are initially recorded at cost. Donated tangible capital assets are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined. Tangible capital assets, except for land, are amortized over their estimated useful lives using the straight-line method at the following annual rates:

Asset	Rate
Building	30 years
Leasehold improvements	Lesser of lease term and useful life
Office equipment	5 years
Automotive equipment	3 years
Forklift	3 years
Kitchen equipment	5 years
Computer equipment	3 years

Repairs and maintenance costs are charged to expense. Betterments that extend the estimated useful life of an asset are capitalized. The Society regularly reviews for impairment of its property and equipment whenever events or changes in circumstances indicate that the asset no longer has long-term service potential to the Society or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2023

2. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments 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 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.

Financial assets carried at cost or amortized cost 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 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.

(e) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(f) Leases:

Leases entered into are classified as either capital or operating. Leases that transfer substantially all of the benefits and risks associated with ownership are recorded as an acquisition of an asset and incurrence of an obligation. Assets under capital lease are amortized in a manner consistent with other assets owned by the Society. All other leases are accounted for as operating wherein rental payments are expensed as incurred.

(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 amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2023

3. Operating line of credit:

The Society has an operating line of credit from a credit union with a limit of \$100,000 at prime plus 1.00%. As at August 31, 2023 the Society has no funds drawn against its line of credit (2022 - nil).

4. Tangible capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,477,853	\$ -	\$ 1,477,853	\$ 1,477,853
Building	282,236	105,306	176,930	172,248
Leasehold improvements	421,188	371,165	50,023	47,620
Office equipment	448,942	316,278	132,664	110,011
Automotive equipment	152,813	152,813	-	-
Forklift	23,970	23,970	-	-
Kitchen equipment	158,533	156,613	1,920	3,200
Computer equipment	67,629	54,990	12,639	8,225
	\$ 3,033,164	\$ 1,181,135	\$ 1,852,029	\$ 1,819,157

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$5,117 (2022 - \$4,425) for payroll-related taxes.

6. Deferred revenue:

	2023	2022
Gift cards	\$ 61,083	\$ 54,201
Vancouver Coastal Health Authority advance (a)	249,304	-
	\$ 310,387	\$ 54,201

(a) On March 1, 2023, the Society entered into an agreement with Vancouver Coastal Health Authority ("VCH") where VCH advanced \$250,000 to the Society for VCH referred clients to use to purchase goods from the Society. As at August 31, 2023, \$249,304 (2022 – nil) was unused.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2023

7. Deferred contributions:

Deferred contributions represent restricted contributions related to specific purposes and for tangible capital asset purchases.

	2023	2022
Balance, beginning of year	\$ 88,205	\$ 97,649
Restricted contributions received	155,374	156,334
Amounts earned and recognized as revenue	(110,032)	(149,337)
Restricted contributions spent on tangible capital assets (note 8)	(38,057)	(16,441)
Balance, end of year	\$ 95,490	\$ 88,205

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of funds received and restricted for and spent on tangible capital assets.

	2023	2022
Balance, beginning of year	\$ 129,211	\$ 150,586
Restricted contributions spent on tangible capital assets (note 7)	38,057	16,441
Amortization of deferred capital contributions to revenue	(21,965)	(37,816)
Balance, end of year	\$ 145,303	\$ 129,211

9. Net assets invested in tangible capital assets:

(a) Net assets invested in tangible capital assets is calculated as follows:

	2023	2022
Tangible capital assets	\$ 1,852,029	\$ 1,819,157
Amounts funded by deferred capital contributions	(145,303)	(129,211)
	\$ 1,706,726	\$ 1,689,946

(b) Included in excess (deficiency) of revenue over expenses related to net assets invested in tangible capital assets is the following:

	2023	2022
Amortization of deferred capital contributions	\$ 21,965	\$ 37,816
Amortization of tangible capital assets	(79,937)	(72,848)
	\$ (57,972)	\$ (35,032)

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2023

9. Net assets invested in tangible capital assets (continued):

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

	2023	2022
Purchase of tangible capital assets	\$ 112,809	\$ 147,474
Amounts funded by deferred capital contributions	(38,057)	(16,441)
	\$ 74,752	\$ 131,033

10. Other income:

Included in other income for the year ended August 31, 2023 is nil (2022 – \$80,283) for insurance proceeds relating to a fire at a grocery market.

11. Commitments and contingencies:

(a) The Society is committed to make operating lease payments for premises and trucks as follows:

2024	\$ 259,677
2025	184,463
2026	147,842
2027	124,735
2028	93,954
	\$ 810,671

(b) The Society records accruals for loss contingencies when losses are likely and reasonably estimable. From time to time, the Society may become a party to litigation and subject to claims incidental to the ordinary course of business, including employment claims and threatened claims, and other matters. The Society is not aware of any litigation matters or loss contingencies that would be expected to have a material adverse effect on the Society.

12. Financial risks:

The Society is exposed to various risks through its financial instruments.

(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. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

QUEST OUTREACH SOCIETY

Notes to Financial Statements

Year ended August 31, 2023

12. Financial risks (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to its cash and accounts receivable. Cash in bank accounts is entirely held at a large provincial credit union. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

The Society believes that it is not exposed to significant currency, interest rate, market, or other price risk arising from its financial instruments.

There has been no change to the risk exposure from 2022.

13. Remuneration disclosure under Societies Act (British Columbia):

For the year ended August 31, 2023, the Society paid total remuneration of \$259,714 (2022 - \$240,567) to two (2022 - two) employees, each of whom received total annual remuneration of \$75,000 or greater. There were no contractors for service (2022 - nil) that were remunerated greater than the \$75,000 threshold.

No remuneration was paid to any member of the board of directors.

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. These reclassifications do not impact the deficiency of revenue over expenses or net assets reported in the prior year.