

North York Harvest Food Bank

Financial Statements
August 31, 2015



January 26, 2016

Independent Auditor's Report

To the Directors of North York Harvest Food Bank

We have audited the accompanying financial statements of North York Harvest Food Bank, which comprise the statement of financial position as at August 31, 2015 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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.

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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

**Basis for qualified opinion**

In common with many not-for-profit organizations, North York Harvest Food Bank derives revenues from individuals, community, and special events, 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 North York Harvest Food Bank. Therefore, we were not able to determine whether any adjustments might be necessary to individuals, community, and special events revenues, excess of revenues over expenditures and cash flows from operations for the years ended August 31, 2015 and August 31, 2014, current assets as at August 31, 2015 and August 31, 2014 and net assets as at the beginning and the end of the years ended August 31, 2015 and August 31, 2014. Our audit opinion on the financial statements for the year ended August 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

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 North York Harvest Food Bank as at August 31, 2015 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

North York Harvest Food Bank

Statement of Financial Position

As at August 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash (note 9)	227,945	223,987
Short-term investments (note 3)	257,258	255,547
Accounts receivable	68,722	25,246
Prepaid expenses	14,326	8,985
	568,251	513,765
Property and equipment (note 4)	395,538	141,604
	963,789	655,369
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	94,468	62,278
Obligation under capital lease (note 7)	3,308	3,105
Deferred grants (note 5)	99,836	180,645
	197,612	246,028
Obligation under capital lease (note 7)	9,919	13,225
Deferred contributions related to property and equipment (note 6)	380,517	127,107
	588,048	386,360
Net Assets		
Unrestricted	375,741	269,009
	963,789	655,369
Commitments (note 11)		

Approved by the Board of Directors

 Director

 Director

The accompanying notes are an integral part of these financial statements.

North York Harvest Food Bank

Statement of Operations and Changes in Net Assets

For the year ended August 31, 2015

	2015 \$	2014 \$
Revenues		
Foundations	512,484	457,437
Individuals	482,484	483,496
Corporations	191,454	154,233
Government	120,416	116,468
Interest and other	110,185	96,915
Community	101,160	72,224
Special events	89,991	89,401
	<u>1,608,174</u>	<u>1,470,174</u>
Expenditures (note 8)		
Food distribution program	626,833	603,406
Community programs	529,816	472,638
Fundraising	232,421	202,898
Administration	112,372	98,852
	<u>1,501,442</u>	<u>1,377,794</u>
Excess of revenues over expenditures for the year	106,732	92,380
Net assets - Beginning of year	<u>269,009</u>	<u>176,629</u>
Net assets - End of year	<u>375,741</u>	<u>269,009</u>

The accompanying notes are an integral part of these financial statements.

North York Harvest Food Bank

Statement of Cash Flows

For the year ended August 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	106,732	92,380
Items not affecting cash		
Amortization of property and equipment	48,422	31,033
Amortization of deferred contributions	(45,191)	(26,531)
	109,963	96,882
Change in non-cash working capital		
Accounts receivable	(43,476)	16,442
Prepaid expenses	(5,341)	(142)
Accounts payable and accrued liabilities	32,190	16,967
Deferred grants - net	(80,809)	39,389
	12,527	169,538
Investing activities		
Disposal of short-term investment	155,547	153,703
Purchase of short-term investment	(157,258)	(255,547)
Purchase of property and equipment	(302,486)	-
Proceeds on disposal of property and equipment	130	-
	(304,067)	(101,844)
Financing activities		
Repayment of capital lease	(3,103)	(993)
Deferred contributions received related to property and equipment	298,601	-
	295,498	(993)
Increase in cash during the year	3,958	66,701
Cash - Beginning of year	223,987	157,286
Cash - End of year	227,945	223,987
Non-cash items		
Obligation under capital lease	-	17,323
Purchase of equipment	-	17,323

The accompanying notes are an integral part of these financial statements.

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2015

1 Nature of organization

North York Harvest Food Bank (NYHFB) is a not-for-profit organization whose primary purpose is to distribute food to those in need. It is a registered charity under Section 149 of the Income Tax Act (Canada) and accordingly is exempt from income taxes under Section 149(1)(f).

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), Part III of the Chartered Professional Accountants of Canada Handbook as issued by the Canadian Accounting Standards Board. The significant accounting policies are outlined below.

Revenue recognition

NYHFB follows the deferral method of accounting for revenues.

Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted grants and contributions are recognized as revenue when received or receivable and when the amount can be reasonably estimated and the ultimate collection is reasonably assured.

Interest and other income is recorded on an accrual basis.

Donated goods and services

Goods and services that have been donated are recorded in the financial statements at their fair value when a fair value can be reasonably estimated and the goods and services would be paid for if not donated. Where an estimate of fair value cannot reasonably be made, such donations would not be recorded. No value is placed on food donations received and disbursed.

A number of volunteers contribute their services to NYHFB each year. In addition, the Toronto District School Board donated space in one of its schools to NYHFB to carry out food distribution activities. Due to the difficulty in determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

Deferred grants and contributions

Deferred grants represent amounts received by NYHFB but not disbursed as at year-end as stipulated by the donor.

Deferred contributions are donations received by NYHFB for the purchases of property and equipment. They are initially deferred and are amortized to revenues at the same rate as the related purchased property and equipment.

North York Harvest Food Bank

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Property and equipment

Property and equipment are initially recorded at cost if purchased or recorded at fair value if donated, less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Trucks	10 years
Computer equipment	5 years
Equipment	3 to 5 years
Leasehold improvements	term of lease

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments 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 instrument at fair value.

Cash	fair value
Short-term investments	fair value
Accounts receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

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, NYHFB 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 present value of the expected cash flows. 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. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of operations and changes in net assets.

Short-term investments represent highly liquid investments, which have maturities of less than one year from the statement of financial position date.

Attribution and allocation of expenses

NYHFB engages in food distribution and community programs. The costs of each program include personnel and other expenses that are directly related to providing the programs.

For employees who perform a combination of program, fundraising and administrative activities, their salaries, benefits and all other payroll related costs are attributed based on the percentage of time dedicated to each activity.

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Occupancy related costs are attributed to programs based on the percentage of the actual used area space by each function.

Some shared costs are attributed based on estimated consumption to each function.

Occupancy related costs relating to common areas, and other shared costs such as cleaning and telecommunications, are allocated based on the percentage of time dedicated by staff with workstations to program, fundraising and administrative activities.

Such allocations are reviewed annually, updated and applied on a prospective basis.

Allocations are detailed in note 8.

Leases

Leases that substantially transfer all the risk and rewards incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the capital charges and reduction of the lease liability so as to achieve a constant rate of interest. Capital charges are recognized in interest and bank charges as part of expenditures allocated to various departments in the statement of operations and changes in net assets.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expenditure allocated to the various departments in the statement of operations and changes in net assets.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

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Notes to Financial Statements

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3 Short-term investments

	2015 \$	2014 \$
Redeemable guaranteed investment certificate, bears interest at 1.25%, matures on December 9, 2015	100,000	100,000
Redeemable guaranteed investment certificate, bears interest at 0.90%, matures on February 8, 2016	157,258	-
Redeemable guaranteed investment certificate, bears interest at 1.10%, matured on February 8, 2015	-	155,547
	<u>257,258</u>	<u>255,547</u>

4 Property and equipment

	2015		
	Cost \$	Accumulated amortization \$	Net \$
Trucks	178,827	101,358	77,469
Computer equipment	36,743	36,255	488
Equipment	137,015	70,903	66,112
Leasehold improvements	270,393	18,924	251,469
	<u>622,978</u>	<u>227,440</u>	<u>395,538</u>
	2014		
	Cost \$	Accumulated amortization \$	Net \$
Trucks	178,827	83,475	95,352
Computer equipment	36,743	35,771	92
Equipment	80,184	54,247	25,937
Leasehold improvements	206,515	187,172	19,343
	<u>502,269</u>	<u>360,665</u>	<u>141,604</u>

Equipment includes a photocopier under capital lease of \$17,323 (2014 - \$17,323), net of accumulated amortization of \$4,320 (2014 - \$866).

During the year, NYHFB moved its primary location and disposed of assets with a cost of \$181,777 (2014 - \$nil), of which \$174,092 (2014 - \$nil) were fully amortized. Assets disposed of consisted primarily of leasehold improvements at its former location.

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5 Deferred grants

	2015 \$	2014 \$
Balance - Beginning of year	180,645	141,256
Grants received during the year	184,115	280,193
Amounts recognized as revenue in the year	(264,924)	(240,804)
Balance - End of year	99,836	180,645

6 Deferred contributions related to property and equipment

	2015 \$	2014 \$
Balance - Beginning of year	127,107	153,638
Amounts received during the year	298,601	-
Amortization	(45,191)	(26,531)
Balance - End of year	380,517	127,107

7 Obligation under capital lease

In fiscal 2014, NYHFB purchased a photocopier that was financed by way of capital lease. The liability recorded under the capital lease represents the future minimum lease payments net of interest. The lease has an implicit rate of 6.36% per annum. Interest expense on capital lease for the year was \$949 (2014 - \$360). NYHFB's obligation under capital leases consists of the following:

	\$
Minimum lease payments payable under finance leases	14,863
Less: Portion representing interest to be recorded over the remaining portion of the existing lease	1,636
	13,227
Less: Current portion	3,308
	9,919

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Future minimum annual lease payments payable under the capital lease for the next four years are as follows:

	\$
2016	4,054
2017	4,054
2018	4,054
2019	2,701
	<hr/>
	14,863
Less: Amount representing interest	1,636
	<hr/>
	13,227
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8 Allocation of expenses

Certain occupancy and other shared administrative expenses of \$80,385 (2014 - \$50,254), that have not been otherwise attributed, have been allocated as follows:

	2015	2014
	\$	\$
Food distribution program	37,468	16,132
Community programs	27,590	21,057
Fundraising	8,583	7,789
Administration	6,744	5,276
	<hr/>	<hr/>
	80,385	50,254
	<hr/>	<hr/>

9 Bank indebtedness

In the current year, NYHFB opened an operating line of credit for \$150,000, collateralized by a general assignment of guaranteed investment certificates of NYHFB. Advances under this line of credit bear interest at the bank's prime rate plus 1.56%. As at August 31, 2015, there were no amounts drawn under the line of credit.

10 Risk management

The main risks NYHFB's financial instruments are exposed to are credit and liquidity risks.

- Credit risk

Credit risk arises from one party to a financial instrument causing a financial loss for the other party by failing to discharge an obligation. NYHFB is exposed to credit risk on accounts receivable. NYHFB's credit risk is considered to be low as accounts receivable are primarily grants and harmonized sales tax recoveries receivable from the government and accrued interest on investment.

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- Liquidity risk

Liquidity risk is the risk an organization will encounter difficulty in meeting obligations associated with financial liabilities. NYHFB believes it has low liquidity risk given the makeup of its accounts payable and accrued liabilities. NYHFB manages its cash flows regularly to ensure reasonably prompt liquidation of its obligations.

It is management's opinion that NYHFB is not exposed to other risks including interest rate, market and other price risks.

11 Commitments

NYHFB entered into various operating leases for premises. Future lease payments are as follows:

	\$
2016	51,035
2017	50,463
2018	52,775
2019	53,238
2020	55,555
Thereafter	343,517
	<hr/>
	606,583

12 Government remittances

Government remittances consist of amounts such as property taxes, harmonized sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$nil (2014 - \$nil) is included in accounts payable and accrued liabilities.

13 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.