

North York Harvest Food Bank

Financial Statements
August 31, 2009

January 19, 2010

Auditors' Report

To the Directors of North York Harvest Food Bank

We have audited the balance sheet of **North York Harvest Food Bank** (NYHFB) as at August 31, 2009 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of NYHFB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, NYHFB derives part of its revenues in the form of donations and special events, which are not susceptible to complete audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of NYHFB and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenues over expenditures for the year, assets and net assets.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and special events referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of NYHFB as at August 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants, Licensed Public Accountants

North York Harvest Food Bank

Balance Sheet

As at August 31, 2009

| | 2009 \$ | 2008 \$ |
|---|------------|------------|
| Assets | | |
| Current assets | | |
| Cash | 198,110 | 47,573 |
| Short-term investment | - | 100,000 |
| Prepaid expenses and sundry receivables | 32,732 | 7,235 |
| | <hr/> | <hr/> |
| | 230,842 | 154,808 |
| Property and equipment (note 3) | 161,124 | 213,737 |
| | <hr/> | <hr/> |
| | 391,966 | 368,545 |
| | <hr/> | <hr/> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 25,535 | 13,984 |
| Deferred grants | 23,567 | 15,033 |
| | <hr/> | <hr/> |
| | 49,102 | 29,017 |
| Deferred contributions related to property and equipment (note 4) | 135,323 | 178,151 |
| | <hr/> | <hr/> |
| | 184,425 | 207,168 |
| Net Assets | | |
| Unrestricted | 207,541 | 161,377 |
| | <hr/> | <hr/> |
| | 391,966 | 368,545 |
| | <hr/> | <hr/> |

Approved by the Board of Directors

_____ Director

_____ Director

North York Harvest Food Bank

Statement of Revenues and Expenditures

| | Year ended August 31, 2009 | Eight-month period ended August 31, 2008 |
|--|---|---|
| | \$ | \$ |
| | (note 8) | (note 8) |
| Revenues | | |
| Donations | 712,146 | 207,203 |
| Foundations and grants | 117,954 | 38,200 |
| Special events | 49,970 | 22,214 |
| Amortization of deferred contributions related to property and equipment (note 4) | 45,088 | 32,914 |
| Government grants | 28,907 | 30,067 |
| Interest and other | 14,180 | 4,704 |
| | <hr/> 968,245 | <hr/> 335,302 |
| Expenditures | | |
| Wages and benefits | 610,950 | 354,772 |
| Office and general | 70,942 | 42,757 |
| Fundraising and promotion | 57,623 | 11,430 |
| Amortization | 55,410 | 39,412 |
| Occupancy costs | 48,013 | 32,009 |
| Food purchases | 41,096 | 23,378 |
| Warehouse and trucking | 25,097 | 17,793 |
| Insurance | 6,602 | 5,442 |
| Volunteers | 6,348 | 4,613 |
| | <hr/> 922,081 | <hr/> 531,606 |
| Excess (deficiency) of revenues over expenditures for the period | <hr/> 46,164 | <hr/> (196,304) |

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Statement of Changes in Net Assets

| | Year ended August 31, 2009 \$ (note 8) | Eight-month period ended August 31, 2008 \$ (note 8) |
|--|---|---|
| Balance - Beginning of period | 161,377 | 357,681 |
| Excess (deficiency) of revenues over expenditures for the period | 46,164 | (196,304) |
| Balance - End of period | <u>207,541</u> | <u>161,377</u> |

North York Harvest Food Bank

Statement of Cash Flows

| | Year ended August 31, 2009 \$ (note 8) | Eight-month period ended August 31, 2008 \$ (note 8) |
|--|---|---|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenues over expenditures for the period | 46,164 | (196,304) |
| Items not affecting cash | | |
| Amortization of property and equipment | 55,410 | 39,412 |
| Amortization of deferred contributions related to property and equipment | (45,088) | (32,914) |
| | <hr/> 56,486 | <hr/> (189,806) |
| Change in non-cash working capital | | |
| Prepaid expenses and sundry receivables | (25,497) | 1,191 |
| Accounts payable and accrued liabilities | 11,551 | (8,935) |
| Deferred grants | 8,534 | 15,033 |
| | <hr/> (5,412) | <hr/> 7,289 |
| | <hr/> 51,074 | <hr/> (182,517) |
| Investing activities | | |
| Short-term investment | 100,000 | - |
| Purchase of property and equipment | (2,797) | (13,202) |
| | <hr/> 97,203 | <hr/> (13,202) |
| Financing activities | | |
| Deferred contributions related to property and equipment | 2,260 | - |
| | <hr/> 2,260 | <hr/> - |
| Increase (decrease) in cash during the period | <hr/> 150,537 | <hr/> (195,719) |
| Cash - Beginning of period | <hr/> 47,573 | <hr/> 243,292 |
| Cash - End of period | <hr/> <hr/> 198,110 | <hr/> <hr/> 47,573 |

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2009

1 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 tax under Section 149(1)(f).

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with the accounting standards for not-for-profit organizations published by The Canadian Institute of Chartered Accountants (CICA), using the deferral method for reporting contributions.

Revenue recognition

Revenues and expenditures are accounted for on an accrual basis with the exception of donations, which are recorded when received. Expenditures are recorded net of goods and services tax rebates.

Donated goods and services

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

Short-term investment

The short-term investment consists of a one-year term guaranteed investment certificate, with interest paid monthly.

Property and equipment

Property and equipment are recorded at cost if purchased, or recorded at fair market value if donated. Amortization is calculated on the straight-line method as follows:

| | |
|---------------------------------|---|
| Trucks | 10 years |
| Computer equipment and software | 5 years |
| Equipment | 5 years |
| Leasehold improvements | term of lease plus first renewal period |

NYHFB reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable and exceeds its fair value. The impairment loss, if any, is the excess of carrying value over fair value.

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Property and equipment with a value less than \$1,000 are expensed as acquired.

Deferred grants and contributions

Deferred grants are recorded as revenue over the term specified by the grant.

Deferred contributions are comprised of donations received for the purchase of property and equipment and will be amortized to revenue at the same rate as the related property and equipment purchased.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and NYHFB's designation of such instruments. The following is a summary of the classifications NYHFB has elected to apply to each of its significant categories of financial instruments.

| Assets/liabilities | Category | Measurement |
|--|-----------------------|----------------|
| Cash | held-for-trading | fair value |
| Short-term investment | held-for-trading | fair value |
| Sundry receivables | loans and receivables | amortized cost |
| Accounts payable and accrued liabilities | other liabilities | amortized cost |

Interest earned or accrued, gains and losses realized on disposal and unrealized gains and losses for changes in fair value are included in interest and other revenues. Transaction costs are expensed as incurred.

NYHFB has chosen to apply CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in place of CICA Handbook Section 3862, Financial Instruments - Disclosures, and CICA Handbook Section 3863, Financial Instruments - Presentation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

Changes in accounting policies

- Capital disclosures

Effective September 1, 2008, NYHFB adopted CICA Handbook Section 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate NYHFB's objectives, policies and processes for managing capital, including disclosure of any externally imposed capital requirements and the consequences of non-compliance. The adoption of these recommendations only required additional disclosures, which are provided in note 6.

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- Financial statement presentation by not-for-profit organizations

Effective September 1, 2008, NYHFB adopted retroactively the changes to the recommendations in CICA Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, that eliminate the requirement to separately disclose the amount of net assets invested in property and equipment. NYHFB has therefore eliminated from the financial statements details about the amount of net assets invested in property and equipment and the calculation of this amount. As a result, NYHFB has reclassified the prior period financial statements such that the amount of net assets invested in property and equipment has been included in net assets.

Recent Canadian accounting pronouncements issued but not yet adopted

- Financial statement presentation by not-for-profit organizations

Recent amendments to CICA Handbook Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirements with respect to various elements of financial statement presentation. These amendments include:

- reporting certain revenues gross in the statement of revenues and expenditures; and
- when a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these functions to other functions.

The new standard applies to financial statements relating to fiscal years beginning on or after January 1, 2009, specifically September 1, 2009 for NYHFB. Management is assessing the impact of this standard but does not expect it to have any impact on NYHFB's disclosures or results of operations or financial position.

- Financial statement concepts

In February 2008, the Accounting Standards Board amended CICA Handbook Section 1000, Financial Statement Concepts, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized on the balance sheet. The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. NYHFB is examining its current approach to recognizing costs as assets and will implement these standards effective September 1, 2009 retroactively with restatement of the prior year. Management is assessing the impact of this standard, but does not expect it to have any impact on NYHFB's disclosures or results of operations or financial position.

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3 Property and equipment

| | 2009 | | |
|---------------------------------|----------------|--------------------|----------------|
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Trucks | 166,252 | 90,524 | 75,728 |
| Computer equipment and software | 107,439 | 87,778 | 19,661 |
| Equipment | 49,214 | 38,727 | 10,487 |
| Leasehold improvements | 174,093 | 118,845 | 55,248 |
| | <u>496,998</u> | <u>335,874</u> | <u>161,124</u> |
| | | | 2008 |
| | Cost | Accumulated | Net |
| | \$ | amortization | \$ |
| | | \$ | |
| Trucks | 166,252 | 73,899 | 92,353 |
| Computer equipment and software | 107,439 | 78,054 | 29,385 |
| Equipment | 46,417 | 29,164 | 17,253 |
| Leasehold improvements | 174,093 | 99,347 | 74,746 |
| | <u>494,201</u> | <u>280,464</u> | <u>213,737</u> |

4 Deferred contributions related to property and equipment

| | 2009 | 2008 |
|------------------------------------|-----------------|-----------------|
| | \$ | \$ |
| Balance - Beginning of period | 178,151 | 211,065 |
| Amounts received during the period | 2,260 | - |
| Amortization | <u>(45,088)</u> | <u>(32,914)</u> |
| Balance - End of period | <u>135,323</u> | <u>178,151</u> |

5 Commitments

NYHFB has entered into a lease agreement with Bathurst Heights Secondary School requiring the following payments:

| | \$ |
|------|----------------|
| 2010 | 48,400 |
| 2011 | 48,400 |
| 2012 | <u>40,333</u> |
| | <u>137,133</u> |

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6 Capital management

NYHFB defines its capital as the amounts included in its net assets balance.

NYHFB's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide services to those in need.

7 Comparative figures

Certain of the prior period's figures have been reclassified to conform to the current year's presentation.

8 Change of year-end

During the period ended August 31, 2008, NYHFB changed its fiscal year-end from December 31 to August 31. This adjustment meant the year-end no longer fell immediately after the period when the food and cash inventory were at seasonally high levels. The change enabled NYHFB to better evaluate fundraising and program delivery efforts early in the fiscal year. Accordingly, the financial statements presented for 2009 are for twelve months while the comparative figures are for eight months.