

North York Harvest Food Bank

**Financial Statements
August 31, 2013, August 31, 2012 and
September 1, 2011**



January 30, 2014

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 statements of financial position as at August 31, 2013, August 31, 2012 and September 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended August 31, 2013 and August 31, 2012, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for qualified opinion

In common with many not-for-profit organizations, North York Harvest Food Bank derives revenues from donations and community events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our 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 donations and community events revenues, excess of revenues over expenditures and cash flows from operations for the years ended August 31, 2013 and August 31, 2012, current assets and net assets as at August 31, 2013, August 31, 2012 and September 1, 2011.

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, 2013, August 31, 2012 and September 1, 2011 and the results of its operations and its cash flows for the years ended August 31, 2013 and August 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

North York Harvest Food Bank

Statements of Financial Position

| | August 31, 2013 \$ | August 31, 2012 \$ | September 1, 2011 \$ |
|--|--------------------------|--------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | 157,286 | 72,206 | 57,882 |
| Short-term investments (note 4) | 153,703 | 151,800 | 202,104 |
| Accounts receivable | 41,688 | 37,237 | 44,591 |
| Prepaid expenses | 8,843 | 3,159 | 10,369 |
| | <u>361,520</u> | <u>264,402</u> | <u>314,946</u> |
| Property and equipment (note 5) | <u>155,314</u> | <u>135,660</u> | <u>67,656</u> |
| | <u>516,834</u> | <u>400,062</u> | <u>382,602</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 45,311 | 8,354 | 76,366 |
| Deferred grants (note 6) | 141,256 | 126,756 | 124,755 |
| Deferred contributions related to property and equipment (note 7) | <u>26,531</u> | <u>22,949</u> | <u>33,675</u> |
| | 213,098 | 158,059 | 234,796 |
| Deferred contributions related to property and equipment (note 7) | <u>127,107</u> | <u>110,685</u> | <u>73,159</u> |
| | 340,205 | 268,744 | 307,955 |
| Net Assets | | | |
| Unrestricted | <u>176,629</u> | <u>131,318</u> | <u>74,647</u> |
| | <u>516,834</u> | <u>400,062</u> | <u>382,602</u> |
| Commitments (note 9) | | | |

Approved by the Board of Directors



Director



Director

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

North York Harvest Food Bank

Statements of Operations and Changes in Net Assets

For the years ended August 31, 2013 and August 31, 2012

| | 2013 \$ | 2012 \$ |
|--|----------------------|----------------------|
| Revenues | | |
| Donations | 543,218 | 601,621 |
| Foundations and grants | 448,894 | 407,295 |
| Community events | 169,186 | 161,639 |
| Government grants | 128,765 | 125,751 |
| Interest and other | 41,266 | 41,577 |
| | <hr/> 1,331,329 | <hr/> 1,337,883 |
| Expenditures | | |
| Food distribution program | 559,391 | 602,675 |
| Community programs | 440,551 | 356,286 |
| Fundraising | 199,026 | 234,649 |
| Administration | 87,050 | 87,602 |
| | <hr/> 1,286,018 | <hr/> 1,281,212 |
| Excess of revenues over expenditures for the year | 45,311 | 56,671 |
| Net assets - Beginning of year | <hr/> 131,318 | <hr/> 74,647 |
| Net assets - End of year | <hr/> 176,629 | <hr/> 131,318 |

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

North York Harvest Food Bank

Statements of Cash Flows

For the years ended August 31, 2013 and August 31, 2012

| | 2013 \$ | 2012 \$ |
|---|-----------------|-----------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenues over expenditures for the year | 45,311 | 56,671 |
| Items not affecting cash | | |
| Amortization of property and equipment | 26,415 | 37,685 |
| Amortization of deferred contributions | (22,949) | (33,675) |
| Gain on disposal of property and equipment | - | (1,929) |
| | <u>48,777</u> | <u>58,752</u> |
| Change in non-cash working capital | | |
| Accounts receivable | (4,451) | 7,354 |
| Prepaid expenses | (5,684) | 7,210 |
| Accounts payable and accrued liabilities | 36,957 | (68,012) |
| Deferred grants - net | 14,500 | 2,001 |
| | <u>90,099</u> | <u>7,305</u> |
| Investing activities | | |
| Disposal of short-term investment | 151,800 | 202,104 |
| Purchase of short-term investment | (153,703) | (151,800) |
| Purchase of property and equipment | (46,069) | (107,260) |
| Proceeds of disposal of property and equipment | - | 3,500 |
| | <u>(47,972)</u> | <u>(53,456)</u> |
| Financing activities | | |
| Deferred contributions received related to property and equipment | <u>42,953</u> | <u>60,475</u> |
| Increase in cash during the year | <u>85,080</u> | <u>14,324</u> |
| Cash - Beginning of year | <u>72,206</u> | <u>57,882</u> |
| Cash - End of year | <u>157,286</u> | <u>72,206</u> |

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

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2013, August 31, 2012 and September 1, 2011

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 Transition to Canadian accounting standards for not-for-profit organizations

Effective September 1, 2012, NYHFB elected to adopt Canadian accounting standards for not-for-profit organizations (Part III of The Canadian Institute of Chartered Accountants Handbook) (ASNPO), as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect.

The transition from Canadian generally accepted accounting principles to ASNPO had no impact on excess of revenues over expenditures and cash flows generated by NYHFB.

3 Summary of significant accounting policies

These financial statements have been prepared in accordance with ASNPO, applied within the framework of the accounting policies summarized 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 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.

North York Harvest Food Bank

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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.

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 | 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, the 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 statements of operations and changes in net assets.

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

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Notes to Financial Statements

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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.

- 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.

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.

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.

North York Harvest Food Bank

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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.

4 Short-term investments

| | 2013 \$ | 2012 \$ |
|---|----------------|----------------|
| Guaranteed investment certificate, bears interest of 1.20%, matures on February 8, 2014 | 153,703 | - |
| Guaranteed investment certificate, bears interest of 1.25%, matured on February 8, 2013 | - | 151,800 |
| | <u>153,703</u> | <u>151,800</u> |

5 Property and equipment

| | 2013 | | |
|------------------------|----------------|-----------------------------------|----------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Trucks | 178,827 | 65,592 | 113,235 |
| Computer equipment | 36,743 | 35,287 | 1,456 |
| Equipment | 62,861 | 50,371 | 12,490 |
| Leasehold improvements | 206,515 | 178,382 | 28,133 |
| | <u>484,946</u> | <u>329,632</u> | <u>155,314</u> |
| | 2012 | | |
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Trucks | 178,827 | 47,709 | 131,118 |
| Computer equipment | 109,861 | 106,160 | 3,701 |
| Equipment | 49,214 | 48,373 | 841 |
| Leasehold improvements | 174,093 | 174,093 | - |
| | <u>511,995</u> | <u>376,335</u> | <u>135,660</u> |

During the year, computer equipment with cost and accumulated amortization of \$73,118 was written off (2012 - \$nil).

North York Harvest Food Bank

Notes to Financial Statements

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6 Deferred grants

| | 2013 \$ | 2012 \$ |
|---|------------|------------|
| Balance - Beginning of year | 126,756 | 124,755 |
| Grants received during the year | 413,137 | 311,051 |
| Amounts recognized as revenue in the year | (398,637) | (309,050) |
| | <hr/> | <hr/> |
| Balance - End of year | 141,256 | 126,756 |

7 Deferred contributions related to property and equipment

| | 2013 \$ | 2012 \$ |
|----------------------------------|------------|------------|
| Balance - Beginning of year | 133,634 | 106,834 |
| Amounts received during the year | 42,953 | 60,475 |
| Amortization | (22,949) | (33,675) |
| | <hr/> | <hr/> |
| Balance - End of year | 153,638 | 133,634 |

8 Allocation of expenses

Certain occupancy and other shared administrative expenses of \$52,837 (2012 - \$50,703), that have not been otherwise attributed, have been allocated as follows:

| | 2013 \$ | 2012 \$ |
|---------------------------|------------|------------|
| Food distribution program | 15,904 | 18,101 |
| Community programs | 22,878 | 19,318 |
| Fundraising | 9,088 | 9,532 |
| Administration | 4,967 | 3,752 |
| | <hr/> | <hr/> |
| | 52,837 | 50,703 |

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Notes to Financial Statements

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9 Commitments

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

| | \$ |
|------|--------|
| 2014 | 9,486 |
| 2015 | 9,486 |
| 2016 | 7,029 |
| 2017 | 6,210 |
| 2018 | 518 |
| | <hr/> |
| | 32,729 |
| | <hr/> |

10 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 (2012 - \$nil) is included in accounts payable and accrued liabilities.