

North York Harvest Food Bank

Financial Statements
August 31, 2014



December 17, 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 statement of financial position as at August 31, 2014 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.

*PricewaterhouseCoopers LLP
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: +1 416 218 1500, F: +1 416 218 1499*

"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 donations and community 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 donations and community events revenues, excess of revenues over expenditures and cash flows from operations for the years ended August 31, 2014 and August 31, 2013, current assets as at August 31, 2014 and August 31, 2013 and net assets at both the beginning and end of the years ended August 31, 2014 and August 31, 2013. Our audit opinion on the financial statements for the year ended August 31, 2013 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, 2014 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

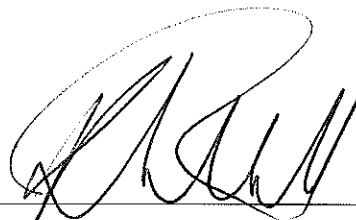
As at August 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash	223,987	157,286
Short-term investments (note 3)	255,547	153,703
Accounts receivable	25,246	41,688
Prepaid expenses	8,985	8,843
	<u>513,765</u>	<u>361,520</u>
Property and equipment (note 4)	<u>141,604</u>	<u>155,314</u>
	<u>655,369</u>	<u>516,834</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	62,278	45,311
Obligation under capital lease (note 7)	3,105	-
Deferred grants (note 5)	180,645	141,256
	<u>246,028</u>	<u>186,567</u>
Obligation under capital lease (note 7)	13,225	-
Deferred contributions related to property and equipment (note 6)	<u>127,107</u>	<u>153,638</u>
	<u>386,360</u>	<u>340,205</u>
Net Assets		
Unrestricted	<u>269,009</u>	<u>176,629</u>
	<u>655,369</u>	<u>516,834</u>
Commitments (note 10)		

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, 2014

	2014 \$	2013 \$
Revenues		
Donations	635,485	543,218
Foundations and grants	523,385	448,894
Community events	160,473	169,186
Government grants	116,468	128,765
Interest and other	34,363	41,266
	<hr/> 1,470,174	<hr/> 1,331,329
Expenditures (note 8)		
Food distribution program	603,406	559,391
Community programs	472,638	440,551
Fundraising	202,898	199,026
Administration	98,852	87,050
	<hr/> 1,377,794	<hr/> 1,286,018
Excess of revenues over expenditures for the year	92,380	45,311
Net assets - Beginning of year	<hr/> 176,629	<hr/> 131,318
Net assets - End of year	<hr/> 269,009	<hr/> 176,629

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, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenditures for the year	92,380	45,311
Items not affecting cash		
Amortization of property and equipment	31,033	26,415
Amortization of deferred contributions	(26,531)	(22,949)
	96,882	48,777
Change in non-cash working capital		
Accounts receivable	16,442	(4,451)
Prepaid expenses	(142)	(5,684)
Accounts payable and accrued liabilities	16,967	36,957
Deferred grants - net	39,389	14,500
	169,538	90,099
Investing activities		
Disposal of short-term investment	153,703	151,800
Purchase of short-term investment	(255,547)	(153,703)
Purchase of property and equipment	-	(46,069)
	(101,844)	(47,972)
Financing activities		
Repayment of capital lease	(993)	-
Deferred contributions received related to property and equipment	-	42,953
	(993)	42,953
Increase in cash during the year	66,701	85,080
Cash - Beginning of year	157,286	72,206
Cash - End of year	223,987	157,286
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, 2014

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

Notes to Financial Statements

August 31, 2014

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 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.

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2014

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.

3 Short-term investments

	2014	2013
	\$	\$
Redeemable guaranteed investment certificate, bears interest of 1.25%, matures on December 9, 2015	100,000	-
Redeemable guaranteed investment certificate, bears interest of 1.10%, matures on February 8, 2015	155,547	-
Redeemable guaranteed investment certificate, bears interest of 1.20%, matured on February 8, 2014	-	153,703
	<u>255,547</u>	<u>153,703</u>

(3)

North York Harvest Food Bank

Notes to Financial Statements

August 31, 2014

4 Property and equipment

	2014		
	Cost \$	Accumulated amortization \$	Net \$
Trucks	178,827	83,475	95,352
Computer equipment	36,743	35,771	972
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>
	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>

During the year, computer equipment with cost and accumulated amortization of \$nil was written off (2013 - \$73,118). Equipment includes a photocopier under capital lease of \$17,323 (2013 - \$nil), net of accumulated amortization of \$866 (2013 - \$nil).

5 Deferred grants

	2014 \$	2013 \$
Balance - Beginning of year	141,256	126,756
Grants received during the year	423,865	413,137
Amounts recognized as revenue in the year	<u>(384,476)</u>	<u>(398,637)</u>
Balance - End of year	<u>180,645</u>	<u>141,256</u>

6 Deferred contributions related to property and equipment

	2014 \$	2013 \$
Balance - Beginning of year	153,638	133,634
Amounts received during the year	-	42,953
Amortization	<u>(26,531)</u>	<u>(22,949)</u>
Balance - End of year	<u>127,107</u>	<u>153,638</u>

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7 Obligation under capital lease

In the current year, 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 \$360. NYHFB's obligation under capital leases consists of the following:

	\$
Minimum lease payments payable under finance leases	18,917
Less: Portion representing interest to be recorded over the remaining portion of the existing lease	<u>2,587</u>
	16,330
Less: Current portion	<u>3,105</u>
	<u>13,225</u>

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

	\$
2015	4,054
2016	4,054
2017	4,054
2018	4,054
2019	<u>2,701</u>
	18,917
Less: Amount representing interest	<u>2,587</u>
	<u>16,330</u>

8 Allocation of expenses

Certain occupancy and other shared administrative expenses of \$50,254 (2013 - \$52,837), that have not been otherwise attributed, have been allocated as follows:

	2014	2013
	\$	\$
Food distribution program	16,132	15,904
Community programs	21,057	22,878
Fundraising	7,789	9,088
Administration	5,276	4,967
	<u>50,254</u>	<u>52,837</u>

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9 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.

10 Commitments

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

	\$
2015	22,877
2016	56,210
2017	56,673
2018	53,293
2019	53,238
Thereafter	<u>399,072</u>
	<u>641,363</u>

Subsequent to year-end, on October 31, 2014 NYHFB entered into a new lease agreement to lease premises for the term starting May 1, 2015 through June 30, 2026. Under the new lease agreement, total future lease payments of \$622,214 have been included in the schedule above.

11 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 (2013 - \$nil) is included in accounts payable and accrued liabilities.