

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Financial Statements

August 31, 2021

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA

(Formerly Second Harvest Food Support Committee)

Index to Financial Statements

Year Ended August 31, 2021

| | Page |
|-------------------------------------|--------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Changes in Net Assets | 4 |
| Statement of Operations | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 - 14 |

INDEPENDENT AUDITOR'S REPORT

To the Members of
Second Harvest Canada | Deuxième Récolte Canada (Formerly Second Harvest Food Support Committee)

Qualified Opinion

We have audited the financial statements of Second Harvest Canada | Deuxième Récolte Canada (the "Organization"), which comprise the statement of financial position as at August 31, 2021, and the statements of changes in net assets and operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2021, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenues from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, and cash flows from operations for the year ended August 31, 2021, and current assets and net assets as at September 1, 2020 and August 31, 2021.

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 report. We are independent of the Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

(continues)

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 these 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 Organization'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 Organization 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 manner that achieves fair presentation.

We 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.

Hogg, Shain & Scheck PC

Toronto, Ontario
November 4, 2021

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

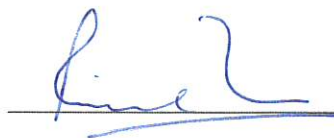
Statement of Financial Position

As at August 31, 2021

| | 2021 | 2020 |
|--|-----------------------------|-----------------------------|
| ASSETS | | |
| CURRENT | | |
| Cash (Note 2) | \$ 17,775,631 | \$ 24,473,169 |
| Short-term investments (Notes 2 and 3) | 235,618 | 289,774 |
| Accounts receivable | 577,131 | 303,147 |
| Prepaid expenses | 70,070 | 109,823 |
| | <u>18,658,450</u> | <u>25,175,913</u> |
| CAPITAL ASSETS (Note 4) | <u>12,878,255</u> | <u>9,001,314</u> |
| | <u>\$ 31,536,705</u> | <u>\$ 34,177,227</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 630,796 | \$ 988,115 |
| Deferred contributions (Notes 5 and 11) | 3,408,046 | 15,299,262 |
| | <u>4,038,842</u> | <u>16,287,377</u> |
| DEFERRED CAPITAL ASSET CONTRIBUTIONS (Notes 19 and 6) | <u>15,076,698</u> | <u>11,172,774</u> |
| | <u>19,115,540</u> | <u>27,460,151</u> |
| NET ASSETS | | |
| UNRESTRICTED | 5,370,286 | 5,166,197 |
| CONTRIBUTIONS FOR LAND (Note 19) | 1,550,879 | 1,550,879 |
| INTERNALLY RESTRICTED: | | |
| Operating reserve (Note 8) | 5,100,000 | - |
| Building and capital asset reserve (Note 8) | 200,000 | - |
| Opportunity reserve (Note 8) | 200,000 | - |
| | <u>12,421,165</u> | <u>6,717,076</u> |
| | <u>\$ 31,536,705</u> | <u>\$ 34,177,227</u> |
| COMMITMENT (Note 14) | | |

APPROVED ON BEHALF OF THE BOARD

 Director

 Director

See the accompanying notes to these financial statements

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Statement of Changes in Net Assets
Year Ended August 31, 2021

| | Unrestricted | Contributions for land | Operating reserve (Note 8) | Building and capital asset reserve (Note 8) | Opportunity reserve (Note 8) | 2021 | 2020 |
|---------------------------------------|---------------------|---------------------------|----------------------------------|--|------------------------------------|----------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 5,166,197 | \$ 1,550,879 | \$ - | \$ - | \$ - | \$ 6,717,076 | \$ 3,363,876 |
| Excess of revenues over expenses | 5,704,089 | - | - | - | - | 5,704,089 | 3,353,200 |
| Transfers (Note 8) | (5,500,000) | - | 5,100,000 | 200,000 | 200,000 | - | - |
| NET ASSETS - END OF YEAR | \$ 5,370,286 | \$ 1,550,879 | \$ 5,100,000 | \$ 200,000 | \$ 200,000 | \$ 12,421,165 | \$ 6,717,076 |

See the accompanying notes to these financial statements

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Statement of Operations
Year Ended August 31, 2021

| | 2021 | 2020 |
|---|---------------------|---------------------|
| REVENUES | | |
| Food donations <i>(Note 9)</i> | \$ 98,130,487 | \$ 64,395,487 |
| National food sharing program contributions: | | |
| Federal <i>(Note 11)</i> | 19,341,803 | 9,693,564 |
| Donations <i>(Note 10)</i> | 1,117,808 | - |
| Fundraising <i>(Notes 12 and 15)</i> | 12,669,764 | 9,040,882 |
| Grants | 2,704,053 | 1,952,245 |
| Administration <i>(Note 11)</i> | 1,301,928 | 775,000 |
| Amortization of capital asset contributions <i>(Note 6)</i> | 664,041 | 831,992 |
| Training and education | 643,014 | 161,136 |
| Interest and other | 230,492 | 327,883 |
| Contributed volunteer services <i>(Note 13)</i> | 55,090 | 143,829 |
| Rental | 35,335 | 339,704 |
| Gift card program contribution | - | 7,780,000 |
| | <u>136,893,815</u> | <u>95,441,722</u> |
| EXPENSES | | |
| Food recovery and delivery: | | |
| Food donations delivered to agencies <i>(Note 9)</i> | 98,130,487 | 64,395,487 |
| Other food delivery related costs <i>(Notes 11 and 16)</i> | 4,163,742 | 2,849,752 |
| Food Rescue expansion costs <i>(Notes 15 and 16)</i> | 2,934,252 | 2,358,229 |
| National food sharing program distributions: | | |
| Federal <i>(Note 11)</i> | 19,341,803 | 9,693,564 |
| Donations <i>(Note 10)</i> | 1,117,808 | - |
| Communications and fundraising <i>(Note 16)</i> | 2,107,991 | 1,802,686 |
| Administration <i>(Notes 14 and 16)</i> | 1,679,440 | 1,816,485 |
| Amortization of capital assets | 723,175 | 477,490 |
| Training and education <i>(Note 16)</i> | 642,826 | 589,344 |
| Food waste reduction research | 293,112 | - |
| Donated volunteer services <i>(Note 13)</i> | 55,090 | 143,829 |
| Gift card program distributions | - | 7,780,000 |
| Contribution to gift card program | - | 181,656 |
| | <u>131,189,726</u> | <u>92,088,522</u> |
| EXCESS OF REVENUES OVER EXPENSES | <u>\$ 5,704,089</u> | <u>\$ 3,353,200</u> |

See the accompanying notes to these financial statements

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Statement of Cash Flows
Year Ended August 31, 2021

| | 2021 | 2020 |
|--|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 5,704,089 | \$ 3,353,200 |
| Items not affecting cash: | | |
| Food donations | (98,130,487) | (64,395,487) |
| Food donations delivered to agencies | 98,130,487 | 64,395,487 |
| Contributed volunteer services | (55,090) | (143,829) |
| Donated volunteer services | 55,090 | 143,829 |
| Amortization of capital asset contributions | (664,041) | (831,992) |
| Amortization of capital assets | 723,175 | 477,490 |
| Gain on disposal of capital assets | (27,000) | (11,000) |
| | <u>5,736,223</u> | <u>2,987,698</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | (273,984) | (103,863) |
| Prepaid expenses | 39,753 | 151 |
| Accounts payable and accrued liabilities | (357,319) | 431,360 |
| Deferred contributions | (11,891,216) | 14,232,255 |
| | <u>(12,482,766)</u> | <u>14,559,903</u> |
| Cash flows from (used by) operating activities | <u>(6,746,543)</u> | <u>17,547,601</u> |
| INVESTING ACTIVITIES | | |
| Decrease (increase) in short-term investments | 54,156 | (55,650) |
| Purchase of capital assets, net | (4,573,116) | (1,203,344) |
| Cash flows used by investing activities | <u>(4,518,960)</u> | <u>(1,258,994)</u> |
| FINANCING ACTIVITY | | |
| Contributions received for capital asset purchases | 4,567,965 | 2,542,498 |
| Cash flows from financing activity | <u>4,567,965</u> | <u>2,542,498</u> |
| INCREASE (DECREASE) IN CASH | (6,697,538) | 18,831,105 |
| CASH - BEGINNING OF YEAR | <u>24,473,169</u> | <u>5,642,064</u> |
| CASH - END OF YEAR | <u>\$ 17,775,631</u> | <u>\$ 24,473,169</u> |

See the accompanying notes to these financial statements

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements

Year Ended August 31, 2021

Second Harvest Canada | Deuxième Récolte Canada (formerly Second Harvest Food Support Committee) (the "Organization") was incorporated without share capital as a not-for-profit organization under the laws of the Province of Ontario on April 18, 1985. On July 14, 2020, the Organization completed registration in all Provinces and Territories in Canada as an extraprovincial and extraterritorial non-share corporation under each Province's and Territory's society or corporation act. On December 8, 2020, the Organization filed a Certificate of Continuation to continue under the Canada Not-For-Profit Corporations Act.

The primary purpose of the Organization is to redistribute to other not-for-profit service groups perishable food collected from donors, while at the same time keeping useable food out of landfills and protecting the atmosphere from GHG emissions that are contributing to climate change.

The Organization is a registered charity under the Income Tax Act (Canada) and, as such, it is exempt from income taxes and may issue receipts for charitable donations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Revenue recognition

The Organization follows the deferral method of accounting for contributions, including grants, contributions, fundraising and training and education revenues. Restricted contributions are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions explicitly and implicitly restricted by the donor are deferred when received and recognized as revenues when the related activity takes place and expenses are incurred.

Contributions received for the purchase of capital assets are initially deferred and then amortized as revenues on the same basis as the related capital assets are amortized.

Interest revenues are recognized in the year earned.

Rental revenues are recognized upon the completion of the rental periods.

Administration revenues include amounts earned to facilitate the national food sharing and gift card programs and are recognized over the term of the respective contracts.

Food donations are recognized as revenues and expenses when delivered to supported agencies by the Organization. Food donations are valued at an average price per pound based on specific estimates of the types of donated food received. The price per pound is based on Nielsen MarketTrack data for each specific type of food.

Contributed volunteers hours are valued at the minimum hourly wage per Ontario Living Wage Network and are recognized as services are provided.

(continues)

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements
Year Ended August 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, short-term investments and accounts receivable. The financial liabilities measured at amortized cost include accounts payable.

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. The amount of the write-down is recognized in revenues. A previously recognized impairment loss may be reversed to the extent of the improvement, either directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment loss not been recognized previously. The amount of the reversal is recognized in revenues.

Capital assets

Capital assets are stated at cost. Capital assets are amortized over their estimated useful lives at the following rates and methods:

| | | |
|------------------------------|----------|----------------------|
| Building - 120 The East Mall | 25 years | straight-line method |
| Delivery trucks | 5 years | straight-line method |
| Furniture and equipment | 3 years | straight-line method |

The Organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. Fair value is determined by the sum of undiscounted cash flows resulting from its use and eventual disposition.

Expense recognition

Expenses for goods or services are recorded when incurred. Research undertaken with the prospect of developing a new distribution platform is recognized as an expense when it is incurred.

Allocation of salaries and benefits and occupancy expenses

The Organization allocates salaries and benefits and occupancy costs by financial statement expense category based on the percentage of time spent and space used in a given year (*Note 16*).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates incorporated into the Organization's financial statements include estimated useful lives of capital assets and the specific quantities of donated food by type when valuing food donations. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year they become known.

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements
Year Ended August 31, 2021

2. CASH AND SHORT-TERM INVESTMENTS

A portion of cash and short-term investments are externally restricted by donors as follows:

| | 2021 | 2020 |
|--|---------------|---------------|
| Unrestricted cash and short-term investments <i>(Note 8)</i> | \$ 10,716,460 | \$ 5,583,000 |
| Restricted funds: | | |
| Unspent capital contributions <i>(Note 6)</i> | 3,886,743 | 3,880,681 |
| Food delivery programs <i>(Note 5)</i> | 2,349,205 | 2,470,827 |
| Food Rescue expansion <i>(Note 5)</i> | 813,841 | 2,040,434 |
| National Food Sharing Program | | |
| Emergency Food Security Fund <i>(Notes 5 and 11)</i> | 245,000 | - |
| Local Food Infrastructure Fund | - | 1,067,832 |
| Surplus Food Rescue Program | - | 9,720,169 |
| | \$ 18,011,249 | \$ 24,762,943 |

Unspent capital contributions are funds designated for the purchase of delivery trucks and renovation of the building.

Contributions for food delivery programs that are restricted for specific purposes by the contributor and unspent at the end of the fiscal year, are recorded in deferred contributions.

Contributions for the Food Rescue expansion require funds to be used for the enhancement of an online system that facilitates the exchange of food between registered businesses and non-profit or charitable organizations.

The Local Food Infrastructure Fund and Emergency Food Security Fund programs require funds received from the Ministry of Agriculture and Agri-Food Canada to be distributed to recipients who have been selected as part of the program.

The Surplus Food Rescue Program requires funds received from the Ministry of Agriculture and Agri-Food Canada to be used to acquire and process surplus commodities and food that would otherwise be lost or destroyed by re-distributing them to those in need.

3. SHORT-TERM INVESTMENTS

Short-term investments are comprised of fixed rate guaranteed investment certificates ("GICs") held with a Canadian Chartered Bank. These are insured by the Canada Deposit Insurance Corporation up to \$100,000 per GIC. The GICs have an interest rate of 0.8% (2.07% - 2020) and mature within one year of the fiscal year end.

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2021 Net book value | 2020 Net book value |
|------------------------------|---------------|-----------------------------|---------------------------|---------------------------|
| Building - 120 The East Mall | \$ 6,025,973 | \$ 395,132 | \$ 5,630,841 | \$ 5,880,493 |
| Land | 1,550,879 | - | 1,550,879 | 1,550,879 |
| Delivery trucks | 2,581,674 | 1,526,814 | 1,054,860 | 1,262,276 |
| Furniture and equipment | 412,044 | 274,622 | 137,422 | 92,341 |
| Assets not in use | 4,504,253 | - | 4,504,253 | 215,325 |
| | \$ 15,074,823 | \$ 2,196,568 | \$ 12,878,255 | \$ 9,001,314 |

(continues)

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements

Year Ended August 31, 2021

4. CAPITAL ASSETS (continued)

Assets not in use include building improvements, furniture and equipment for the new operating premise located at 120 The East Mall in Toronto. These amounts are funded by the capital contributions outlined in Notes 2 and 6. The Organization has sufficient funds to complete the planned improvements and purchases currently underway.

5. DEFERRED CONTRIBUTIONS

| | Food Rescue Expansion | Food Delivery (Note 12) | National Food Sharing Program (Notes 2 & 11) | 2021 | 2020 |
|--|--------------------------|-------------------------------|---|---------------|---------------|
| Deferred contributions, beginning of year | \$ 2,040,434 | \$ 2,470,827 | \$ 10,788,001 | \$ 15,299,262 | \$ 1,067,007 |
| Contributions received in the year | 2,036,029 | 2,110,844 | 10,000,730 | 14,147,603 | 35,852,937 |
| Contributions recognized as revenues | (3,262,622) | (2,232,466) | (20,543,731) | (26,038,819) | (21,620,682) |
| Deferred contributions, end of year (Note 2) | \$ 813,841 | \$ 2,349,205 | \$ 245,000 | \$ 3,408,046 | \$ 15,299,262 |

6. DEFERRED CAPITAL ASSET CONTRIBUTIONS

Deferred capital asset contributions include restricted funds received for the purchase of delivery trucks, warehouse equipment and building improvements broken down as follows:

| | 2021 | 2020 |
|---|---------------|---------------|
| Invested in capital assets described above | \$ 11,189,955 | \$ 7,292,093 |
| Unspent contributions restricted for future capital purchases (Note 2): | | |
| Equipment and delivery trucks | 886,930 | 159,282 |
| Building improvements | 2,999,813 | 3,721,399 |
| | \$ 15,076,698 | \$ 11,172,774 |

The continuity of deferred capital asset contributions for the year is as follows:

| | | |
|---|---------------|---------------|
| Deferred capital asset contributions, beginning of year | \$ 11,172,774 | \$ 9,462,268 |
| Add: Capital asset contributions received | 4,567,965 | 2,542,498 |
| Less: Capital asset contributions amortized to revenues | (664,041) | (831,992) |
| Deferred capital assets contributions, end of year | \$ 15,076,698 | \$ 11,172,774 |

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements
Year Ended August 31, 2021

7. CREDIT FACILITY

The Organization has a revolving operating line of credit of \$700,000, which bears interest at the bank prime rate plus 1%. It is secured by a general assignment of assets. At August 31, 2021, the balance of the operating line of credit is \$nil (2020 - \$nil).

In addition, the Organization has a credit facility for standby letters of credit to a maximum of \$78,878 of which \$nil was utilized at August 31, 2021 (2020 - \$nil). The credit amount bears interest at 1% per annum.

8. INTERNALLY RESTRICTED RESERVES

During fiscal 2021, the Organization's Board of Directors (the "Board") established internally restricted reserves funds, as follows:

Operating reserve

This reserve provides an internal source of funds for situations such as unforeseen increases in expenses, one-time unbudgeted costs, unexpected loss of funding, or uninsured losses. During the year, the Board approved a transfer of \$5,100,000 from unrestricted net assets to the operating reserve.

Building and capital asset reserve

This reserve provides a ready source of funds for major repairs, expansion, or acquisition of new buildings, leaseholds, furniture, fixtures, trucks, and equipment necessary for the effective operation of the Organization and its programs. During the year, the Board approved a transfer of \$200,000 from unrestricted net assets to this reserve.

Opportunity reserve

This reserve provides funds to meet unique targets of opportunity or need that furthers the mission of the Organization. The opportunity reserve is also intended to provide a source of internal funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capability. During the year, the Board approved a transfer of \$200,000 from unrestricted net assets to this reserve.

The above reserves are supported by cash and short-term investments (Note 2).

9. FOOD DONATIONS

In fiscal 2021, approximately 32,200,000 pounds of food were recovered and delivered to agencies (2020 - 22,400,000 pounds). The average price per pound for each category of donated food ranges from \$0.65 to \$7.09 (2020 - \$0.65 to \$7.09). The value of food donations received and the related deliveries are recorded on the Statement of Operations.

Included in the food donation amount above is 9,959,876 pounds (2020 - 3,251,744 pounds) of food rescued through the Organization's online channel, "Food Rescue App" (Note 15). This represents a value of \$30,377,622 (2020 - \$9,332,505).

The Organization utilizes a third-party supported software in combination with various internal processes to oversee the tracking of food donations. During fiscal 2021, additional processes were implemented that will allow enhanced reporting on food rescue details.

10. NATIONAL FOOD SHARING PROGRAM - DONATIONS

During the fiscal year, the Organization received \$1,117,808 in contributions from donors in support of the national food sharing program. These funds were utilized in addition to the federal funding as described in Note 11.

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements
Year Ended August 31, 2021

11. NATIONAL FOOD SHARING PROGRAM - FEDERAL FUNDING

The Organization received funding from the Ministry of Agriculture and Agri-Food of Canada (the "Ministry") for the following programs:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|---------------------|
| Surplus Food Rescue Program | \$ 10,268,971 | \$ 186,396 |
| Emergency Food Security Fund | 8,455,000 | - |
| Local Food Infrastructure Fund | 617,832 | 9,507,168 |
| | <u>\$ 19,341,803</u> | <u>\$ 9,693,564</u> |

The funding agreements require the Organization to contribute a total of \$16,645,000 in support of eligible costs of these programs. This contribution was achieved through donations described in Note 10 and food donations described in Note 9.

The Surplus Food Rescue Program was created as a result of the funding received, as part of the Organization's response to the global COVID-19 pandemic. The intention of the program is to acquire and process surplus commodities and food that would otherwise be lost or destroyed and distribute them to those in need. The total distribution of food under this program was 9,458,878 pounds.

The Emergency Food Security Fund and Local Food Infrastructure Fund programs were created as a result of the funding received, as part of the Organization's response to the global COVID-19 pandemic. The intention of these programs are to ensure that all people across Canada are able to access a sufficient amount of safe, nutritious, and culturally diverse food during this challenging time. The Organization allocates these funds in the form of grants to third party organizations operating independently. Included in deferred contributions is \$245,000 to be used to complete the final reporting requirements for the grant relating to the Emergency Food Security Fund program in fiscal 2022 (Notes 2 and 5).

Administration revenues include \$1,201,928 (2020 - \$675,000) received to coordinate these programs, in accordance with contractual program terms.

The Organization utilizes a series of processes to conduct the review of program funding applications, provide approvals, and to maintain control over the disbursement of program funds. In addition, recipients of the program funds are required to report to the Organization on the use of funding and demonstrate the achievement of their objectives as outlined in their approved program funding applications.

12. FUNDRAISING

Fundraising revenues recognized in the year were from the following sources:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|---------------------|
| Donations from: | | |
| Foundations | \$ 5,691,560 | \$ 3,763,969 |
| Corporations | 3,248,439 | 2,314,999 |
| Individuals | 2,487,288 | 2,251,852 |
| Special events | 668,940 | - |
| Campaigns | 451,528 | 352,819 |
| Third-party fundraising events | 122,009 | 244,471 |
| Toronto Taste event proceeds | - | 112,772 |
| | <u>\$ 12,669,764</u> | <u>\$ 9,040,882</u> |

Campaign donations are collected during the Turkey and Hero Day drives. Third-party events are events run by local organizations where the designated recipient of the funds raised is the Organization. Due to the COVID-19 pandemic, the annual Toronto Taste event was replaced with several other special events.

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements
Year Ended August 31, 2021

13. CONTRIBUTED VOLUNTEER SERVICES

Approximately 2,495 hours were donated to the Organization during fiscal 2021 (2020 - 6,514 hours). The minimum hourly wage per Ontario Living Wage Network used for 2021 was \$22.08 (2020 - \$22.08). The value of these donated services is recorded on the Statement of Operations.

14. COMMITMENT

The Organization rents its primary operating premises located at 18-1450 Lodestar Road in Toronto, under terms of a lease ending March 31, 2022. Future minimum lease payments as at August 31, 2021 are \$119,156.

15. FOOD RESCUE EXPANSION

The primary purpose of the Food Rescue App (formerly Foodrescue.ca) is to expand use of a web-based distribution platform developed by the Organization to match food donors with their social service organizations in their communities.

During the year, \$2,934,252 (2020 - \$2,358,229) of expenses were incurred with the launch of the Food Rescue App across Canada. These amounts are included in Food Rescue expansion costs on the Statement of Operations.

Fundraising revenues from foundations and corporations were utilized to fund these expenses.

16. COST ALLOCATION

Certain staff and occupancy-related costs pertain to more than one function, and they have been allocated to communications and fundraising, distribution platform, food recovery and delivery, Food Rescue expansion and training and education in the Statement of Operations. Staff time is allocated based on the time devoted to each of these functions. Occupancy-related costs are allocated based on the proportionate use of space or the activities in the department. These expenses have been allocated as follows:

| | 2021 | 2020 |
|--------------------------------|---------------------|---------------------|
| Salaries and benefits | | |
| Food recovery and delivery | \$ 2,224,822 | \$ 2,049,743 |
| Food Rescue expansion | 1,392,037 | 620,223 |
| Communications and fundraising | 1,208,088 | 1,223,374 |
| Training and education | 165,519 | 170,537 |
| Distribution platform | - | 54,354 |
| | \$ 4,990,466 | \$ 4,118,231 |
| General expenses | | |
| Training and education | \$ 180,747 | \$ 134,198 |
| Food recovery and delivery | 85,389 | 137,321 |
| Distribution platform | - | 8,902 |
| | \$ 266,136 | \$ 280,421 |

SECOND HARVEST CANADA | DEUXIÈME RÉCOLTE CANADA
(Formerly Second Harvest Food Support Committee)

Notes to Financial Statements

Year Ended August 31, 2021

17. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. It is management's opinion that the Organization is not exposed to significant credit, liquidity, market and other price risks or any significant concentrations of risk arising from its financial instruments.

18. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. The Organization received a significant increase in funding to help support the community during this difficult time, refer to Notes 10 and 11 for further details. Public health measures to curb the spread of the virus resulted in the Organization not being able to host the assistance of as many volunteers as in prior years. In addition, the Organization allowed a remote-work arrangement for various employees.

The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of the Organization in future periods. The Organization continues to closely monitor and assess the impact on operations. It is the opinion of management that the Organization will have sufficient resources to mitigate any potential negative impact that may occur in fiscal 2022 as a result of COVID-19.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
