
**SECOND HARVEST FOOD SUPPORT
COMMITTEE**

FINANCIAL STATEMENTS

AUGUST 31, 2010

AUDITORS' REPORT

To the Members,
Second Harvest Food Support Committee

We have audited the statement of financial position of Second Harvest Food Support Committee as at August 31, 2010 and the statements of operations and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the organization'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 as to 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, the organization derives revenue from donated food, other donations and special events fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue 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 revenue from donated food, other donations and special events fundraising, excess of revenue over expenses for the year, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue from donated food, other donations and special events fundraising referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

September 16, 2010
Toronto, Ontario


SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2010

	2010	2009
ASSETS		
Current assets		
Cash	\$ 335,824	\$ 212,300
Short-term investments	412,134	326,251
Accounts receivable	35,955	44,339
Prepaid expenses	<u>16,547</u>	<u>16,304</u>
	800,460	599,194
Property and equipment (note 4)	<u>572,497</u>	<u>737,859</u>
	<u><u>\$ 1,372,957</u></u>	<u><u>\$ 1,337,053</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 65,853	\$ 33,694
Deferred revenue	<u> </u>	<u>3,860</u>
	65,853	37,554
Deferred property and equipment grants (note 5)	<u>561,104</u>	<u>705,928</u>
	<u>626,957</u>	<u>743,482</u>
Net assets		
Operations	<u>746,000</u>	<u>593,571</u>
	<u><u>\$ 1,372,957</u></u>	<u><u>\$ 1,337,053</u></u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2010

	2010	2009
REVENUE		
Food donations (note 2)	\$12,860,000	\$11,510,000
Non-food donations (note 6)	1,366,406	1,072,383
Special events (note 7)	1,228,380	1,033,528
Harvest kitchen grants	262,660	225,000
Capital grants (note 5)	144,824	143,318
Interest and other	22,699	13,217
Gain on sale of property and equipment	<u> </u>	<u>25,000</u>
	<u>15,884,969</u>	<u>14,022,446</u>
EXPENSES		
Food recovery and delivery		
Food donations delivered to agencies (note 2)	12,860,000	11,510,000
Other food delivery related costs	1,017,621	949,462
Fundraising and special events	897,983	800,176
Office and general	480,057	493,126
Harvest kitchens	311,517	232,986
Amortization	<u>165,362</u>	<u>185,243</u>
	<u>15,732,540</u>	<u>14,170,993</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	152,429	(148,547)
Net assets, beginning of year	<u>593,571</u>	<u>742,118</u>
NET ASSETS, END OF YEAR	<u>\$ 746,000</u>	<u>\$ 593,571</u>

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 152,429	\$ (148,547)
Adjust for non-cash items:		
Food donations	(12,860,000)	(11,510,000)
Food delivered to agencies	12,860,000	11,510,000
Amortization of deferred property and equipment grants	(144,824)	(143,318)
Amortization of property and equipment	165,362	185,243
Net change in non-cash working capital items		
(Increase) decrease in accounts receivable	8,384	(9,454)
Increase in prepaid expenses	(243)	(83)
Increase (decrease) in accounts payable and accrued liabilities	32,159	(27,935)
Increase (decrease) in deferred revenue	(3,860)	3,860
	<u>209,407</u>	<u>(140,234)</u>
FINANCING ACTIVITIES		
Deferred property and equipment grants received		<u>103,418</u>
INVESTING ACTIVITIES		
Purchases of property and equipment		<u>(113,852)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	209,407	(150,668)
Cash and cash equivalents, beginning of year	<u>538,551</u>	<u>689,219</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 747,958</u>	<u>\$ 538,551</u>
Cash and cash equivalents is composed of:		
Cash	\$ 335,824	\$ 212,300
Short-term investments	<u>412,134</u>	<u>326,251</u>
	<u>\$ 747,958</u>	<u>\$ 538,551</u>

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

1. THE ORGANIZATION

Second Harvest Food Support Committee is incorporated as a not-for-profit organization in the Province of Ontario without share capital. The primary purpose of the organization is to redistribute to other not-for-profit service groups perishable food collected from donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior years. Outlined below are those policies considered particularly significant:

Financial instruments

The organization classifies its financial instruments as held-for-trading. These investments comprise money market funds and fixed income securities. These investments are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations in the period incurred. Transaction costs related to the financial instruments classified as held-for-trading are expensed as incurred.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Delivery trucks	- 5 years straight line
Harvest Kitchen equipment	- 5 years straight line
Freezer	- 10 years straight line
Furniture and equipment	- 3 years straight line
Leasehold improvements	- 8 years straight line

Revenue recognition

The organization follows the deferral method of revenue recognition. Its principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Restricted contributions related to expenses in future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.
- ii) Revenue from grants, donations and all other fundraising sources are recorded in the period they are received unless the contribution has special restrictions on its use imposed by the donors. Revenue received for specific events is recorded in the period in which the event takes place.
- iii) Food donations are recognized when delivered to an agency. The food is valued at the average annual price per pound of food established by the Canadian Association of Food Banks of \$2 per pound. In 2010 management estimates that approximately 6.4 million pounds of food were recovered and delivered to agencies (5.76 million pounds in 2009).
- iv) Revenue on marketable securities is recorded when earned.
- v) Contributions designated for the purchase of property and equipment are recorded as revenue in the same period the related property and equipment are charged to operations.

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses for goods or services are recorded when incurred.

These financial statements do not reflect the substantial value of services contributed by companies, sponsors, volunteers and other interested parties. Except for food, donated materials and services which are normally purchased by the organization are not recorded in the accounts. Management estimates that administrative and fundraising support provided by volunteers to the organization amounted to approximately 13,800 hours in 2010 (14,200 in 2009).

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Specifically, significant assumptions have been made in arriving at the amortization rates to be applied for property and equipment, deferred revenue and food donations. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

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 for food delivery and fundraising activities.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The organization classifies the financial assets and financial liabilities into one of the following categories:

Held-for-trading - This category comprises fixed income securities. The fair values of investments are the year-end quoted prices. The cost of short-term securities and term deposits maturing within a year, plus accrued interest income, approximates the fair value of these instruments.

Other financial assets and liabilities - Other financial assets and liabilities are carried at cost, which approximates their fair value due to their short-term nature.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks.

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2010

4. PROPERTY AND EQUIPMENT

Property and equipment, recorded at cost, are as follows:

	Cost	Accumulated Amortization	2010 Net	2009 Net
Delivery trucks	\$ 1,382,189	\$(1,026,166)	\$ 356,023	\$ 474,453
Freezer	160,373	(67,744)	92,629	108,667
Furniture and equipment	<u>47,025</u>	<u>(26,993)</u>	<u>20,032</u>	<u>26,036</u>
	<u>\$ 1,589,587</u>	<u>\$(1,120,903)</u>	468,684	609,156
Leasehold improvements, net			<u>103,813</u>	<u>128,703</u>
			<u>\$ 572,497</u>	<u>\$ 737,859</u>

5. DEFERRED PROPERTY AND EQUIPMENT GRANTS

Continuity of deferred property and equipment grants for the year is as follows:

	2010	2009
Deferred property and equipment grants, beginning of year	\$ 705,928	\$ 745,828
Add property and equipment received in the year		103,418
Less property and equipment grants amortized to income	<u>(144,824)</u>	<u>(143,318)</u>
Deferred capital grants, end of year	<u>\$ 561,104</u>	<u>\$ 705,928</u>

6. NON-FOOD DONATION REVENUE

Non-food donation revenue recognized in the year was from the following sources:

	2010	2009
Foundations	555,646	515,357
Corporate	414,505	274,373
Individuals	<u>396,255</u>	<u>282,653</u>
	<u>\$ 1,366,406</u>	<u>\$ 1,072,383</u>

SECOND HARVEST FOOD SUPPORT COMMITTEE

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AUGUST 31, 2010

7. SPECIAL EVENTS REVENUE

Special events revenue recognized in the year was as follows:

	2010	2009
Toronto Taste event	\$ 631,666	\$ 442,984
Lunch Money Day	332,891	401,033
Other special events	<u>263,823</u>	<u>189,511</u>
	<u>\$ 1,228,380</u>	<u>\$ 1,033,528</u>

8. LEASE COMMITMENTS

The organization rents space under terms of a five year lease ending December 31, 2012. Minimum annual lease payments are as follows:

2011	\$ 103,587
2012	103,587
2013	34,529

9. COST ALLOCATIONS

Certain administrative and occupancy-related costs have been allocated to food recovery and delivery, fundraising and special events, office and general, and Harvest Kitchen expenses in the statement of operations based on the time and staff involved with each of these functions. Other expenses are allocated based on the purpose of the expense or the activities of the staff in the department.

10. INCOME TAX STATUS

The organization is a charitable organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as an organization registered under the Income Tax Act, the organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.