
**SECOND HARVEST FOOD SUPPORT
COMMITTEE**

FINANCIAL STATEMENTS

AUGUST 31, 2008

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, 2008 and the statements of changes in net assets, operations 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, 2008 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

October 4, 2008
Toronto, Ontario

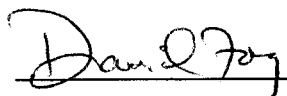
SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash	\$ 201,675	\$ 136,347
Short-term investments	487,544	785,073
Accounts receivable	34,885	67,782
Prepaid expenses	<u>16,221</u>	<u>15,204</u>
	740,325	1,004,406
Property and equipment (note 4)	<u>809,250</u>	<u>576,792</u>
	<u>\$ 1,549,575</u>	<u>\$ 1,581,198</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 61,629	\$ 62,297
Deferred revenue (note 5)	<u> </u>	<u>177,395</u>
	61,629	239,692
Deferred property and equipment grants (note 6)	<u>745,828</u>	<u>480,309</u>
	<u>807,457</u>	<u>720,001</u>
Net assets		
Invested in property and equipment	63,422	96,483
Operations	<u>678,696</u>	<u>764,714</u>
	<u>742,118</u>	<u>861,197</u>
	<u>\$ 1,549,575</u>	<u>\$ 1,581,198</u>

Approved on behalf of the Board:

 _____, Director

 _____, Director

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2008

			2008	2007
	Capital assets	Operations	Total	Total
Net assets, beginning of year	\$ 96,483	\$ 764,714	\$ 861,197	\$ 805,290
Excess of revenue over expenses for the year		(119,079)	(119,079)	55,907
Purchase of property and equipment	410,388	(410,388)		
Amortization of property and equipment	(177,930)	177,930		
Change in property and equipment grants	<u>(265,519)</u>	<u>265,519</u>		
NET ASSETS, END OF YEAR	<u>\$ 63,422</u>	<u>\$ 678,696</u>	<u>\$ 742,118</u>	<u>\$ 861,197</u>

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2008

	2008	2007
REVENUE		
Food donations (note 2)	\$11,940,000	\$10,929,000
Special events (note 7)	1,057,029	972,077
Non-food donations (note 8)	988,167	839,666
Harvest kitchen grants	207,500	215,948
Capital grants (note 6)	111,565	93,147
Interest and other	23,514	20,115
Gain on sale of property and equipment	<u>37,500</u>	<u>37,500</u>
	<u>14,327,775</u>	<u>13,107,453</u>
EXPENSES		
Food recovery and delivery		
Food donations delivered to agencies (note 2)	11,940,000	10,929,000
Other food delivery related costs	870,722	763,968
Fundraising and special events	725,880	648,278
Office and general	469,085	335,550
Harvest kitchens	263,237	247,242
Amortization	<u>177,930</u>	<u>127,508</u>
	<u>14,446,854</u>	<u>13,051,546</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ (119,079)</u>	<u>\$ 55,907</u>

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2008

	2008	2007
OPERATIONS		
Cash received from operations:		
Non-food donations, grants and other	\$ 1,216,706	\$ 1,128,338
Special events	<u>1,096,077</u>	<u>943,029</u>
	<u>2,312,783</u>	<u>2,071,367</u>
Cash used for operations:		
Staff related expenses -		
Food recovery, delivery and Harvest Kitchen staff costs	744,655	688,287
Other staff costs	<u>580,076</u>	<u>505,091</u>
	1,324,731	1,193,378
Non-staff related -		
Fundraising and special events	384,232	299,575
Harvest Kitchens	156,732	117,879
Food delivery programs	190,769	144,398
Occupancy costs	157,229	110,263
Office and general	<u>120,592</u>	<u>132,967</u>
	<u>2,334,285</u>	<u>1,998,460</u>
Net cash generated by (used for) operations	<u>(21,502)</u>	<u>72,907</u>
INVESTMENTS		
Proceeds on sale of property and equipment - trucks		37,500
Purchase of property and equipment	<u>(410,388)</u>	<u>(333,016)</u>
Net cash used for investments	<u>(410,388)</u>	<u>(295,516)</u>
FINANCING		
Property and equipment grants received	<u>199,689</u>	<u>450,065</u>
	<u>199,689</u>	<u>450,065</u>
NET CASH INCREASE (DECREASE) IN THE YEAR	(232,201)	227,456
Cash and cash equivalents, beginning of year	<u>921,420</u>	<u>693,964</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 689,219</u>	<u>\$ 921,420</u>
Cash and cash equivalents composed of:		
Cash	\$ 201,675	\$ 136,347
Short-term investments	<u>487,544</u>	<u>785,073</u>
	<u>\$ 689,219</u>	<u>\$ 921,420</u>

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008

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

The accounting policies of the organization are in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant:

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 accounting for contributions. Restricted contributions related to expenses in future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

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.

Food donations are recognized when it is 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. In 2008 management estimates that approximately 5.97 million pounds of food were recovered and delivered to agencies (5.47 million pounds in 2007).

Revenue on marketable securities is recorded when earned.

Assistance related to the purchase of property and equipment is recorded as revenue in the same period the related property and equipment are charged to operations.

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 14,800 hours in 2008.

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks from these financial instruments. The fair value of these financial instruments approximates their carrying values.

4. PROPERTY AND EQUIPMENT

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

	Cost	Accumulated Amortization	2008 Net	2007 Net
Delivery trucks	\$ 1,283,698	\$ (768,830)	\$ 514,868	\$ 521,248
Freezer	160,373	(35,668)	124,705	29,724
Furniture and equipment	61,223	(29,571)	31,652	20,099
Harvest Kitchen equipment	<u>39,878</u>	<u>(37,892)</u>	<u>1,986</u>	<u>4,698</u>
	<u>\$ 1,545,172</u>	<u>\$ (871,961)</u>	673,211	575,769
Leasehold improvements, net			<u>136,039</u>	<u>1,023</u>
			<u>\$ 809,250</u>	<u>\$ 576,792</u>

5. DEFERRED REVENUE

Deferred revenue for the year was as follows:

	2008	2007
Expansion donations	\$ nil	\$ 52,395
Donation restricted for truck purchase	<u> </u>	<u>125,000</u>
	<u>\$ nil</u>	<u>\$ 177,395</u>

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2008

6. DEFERRED CAPITAL GRANTS

Continuity of deferred capital grants for the year is as follows:

	2008	2007
Deferred capital grants, beginning of year	\$ 480,309	\$ 248,391
Add capital grants used in the year	377,084	325,065
Less capital grant amortized to income	<u>(111,565)</u>	<u>(93,147)</u>
Deferred capital grants, end of year	<u>\$ 745,828</u>	<u>\$ 480,309</u>

7. SPECIAL EVENTS REVENUE

Special events revenue recognized in the year was as follows:

	2008	2007
Toronto Taste event	\$ 534,543	\$ 514,163
Lunch Money Day	378,705	354,433
Other special events	<u>143,781</u>	<u>103,481</u>
	<u>\$ 1,057,029</u>	<u>\$ 972,077</u>

8. NON-FOOD DONATION REVENUE

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

	2008	2007
Foundations	\$ 388,196	\$ 374,285
Corporate	313,991	207,203
Individuals	<u>285,980</u>	<u>258,178</u>
	<u>\$ 988,167</u>	<u>\$ 839,666</u>

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.