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**SECOND HARVEST FOOD SUPPORT  
COMMITTEE**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2009**

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**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, 2009 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, 2009 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, 2009  
Toronto, Ontario

# SECOND HARVEST FOOD SUPPORT COMMITTEE

## STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2009

	2009	2008
<b>ASSETS</b>		
Current assets		
Cash	\$ 212,300	\$ 201,675
Short-term investments	326,251	487,544
Accounts receivable	44,339	34,885
Prepaid expenses	<u>16,304</u>	<u>16,221</u>
	599,194	740,325
Property and equipment (note 4)	<u>737,859</u>	<u>809,250</u>
	<u>\$ 1,337,053</u>	<u>\$ 1,549,575</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 33,694	\$ 61,629
Deferred revenue	<u>3,860</u>	<u>          </u>
	37,554	61,629
Deferred property and equipment grants (note 5)	<u>705,928</u>	<u>745,828</u>
	<u>743,482</u>	<u>807,457</u>
Net assets		
Invested in property and equipment	31,931	63,422
Operations	<u>561,640</u>	<u>678,696</u>
	<u>593,571</u>	<u>742,118</u>
	<u>\$ 1,337,053</u>	<u>\$ 1,549,575</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, 2009

			2009	2008
	Capital assets	Operations	Total	Total
Net assets, beginning of year	\$ 63,422	\$ 678,696	\$ 742,118	\$ 861,197
Excess of revenue over expenses for the year		(148,547)	(148,547)	(119,079)
Purchase of property and equipment	113,852	(113,852)		
Amortization of property and equipment	(185,243)	185,243		
Change in property and equipment grants	<u>39,900</u>	<u>(39,900)</u>	<u>          </u>	<u>          </u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 31,931</u></b>	<b><u>\$ 561,640</u></b>	<b><u>\$ 593,571</u></b>	<b><u>\$ 742,118</u></b>

see accompanying notes

## SECOND HARVEST FOOD SUPPORT COMMITTEE

### STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2009

	2009	2008
<b>REVENUE</b>		
Food donations (note 2)	\$11,510,000	\$11,940,000
Non-food donations (note 7)	1,072,383	988,167
Special events (note 6)	1,033,528	1,057,029
Harvest kitchen grants	225,000	207,500
Capital grants (note 5)	143,318	111,565
Interest and other	13,217	23,514
Gain on sale of property and equipment	<u>25,000</u>	<u></u>
	<u>14,022,446</u>	<u>14,327,775</u>
<b>EXPENSES</b>		
Food recovery and delivery		
Food donations delivered to agencies (note 2)	11,510,000	11,940,000
Other food delivery related costs	949,462	870,722
Fundraising and special events	800,176	725,880
Office and general	493,126	469,085
Harvest kitchens	232,986	263,237
Amortization	<u>185,243</u>	<u>177,930</u>
	<u>14,170,993</u>	<u>14,446,854</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u>\$ (148,547)</u>	<u>\$ (119,079)</u>

see accompanying notes

## SECOND HARVEST FOOD SUPPORT COMMITTEE

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2009

	2009	2008
<b>OPERATING ACTIVITIES</b>		
Excess of expenses over revenue for the year	\$ (148,547)	\$ (119,079)
Adjust for non-cash items:		
Food donations	(11,510,000)	(11,940,000)
Food delivered to agencies	11,510,000	11,940,000
Amortization of deferred property and equipment grants	(143,318)	(111,565)
Amortization of property and equipment	185,243	177,930
Net change in non-cash working capital items		
(Increase) decrease in accounts receivable	(9,454)	32,896
(Increase) decrease in prepaid expenses	(83)	(1,017)
Increase (decrease) in accounts payable and accrued liabilities	(27,935)	(667)
Increase (decrease) in deferred revenue	<u>3,860</u>	<u>(177,395)</u>
	<u>(140,234)</u>	<u>(198,897)</u>
<b>FINANCING ACTIVITIES</b>		
Deferred property and equipment grants received	<u>103,418</u>	<u>377,084</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(113,852)</u>	<u>(410,388)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>		
	(150,668)	(232,201)
Cash and cash equivalents, beginning of year	<u>689,219</u>	<u>921,420</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 538,551</u>	<u>\$ 689,219</u>
Cash and cash equivalents is composed of:		
Cash	\$ 212,300	\$ 201,675
Short-term investments	<u>326,251</u>	<u>487,544</u>
	<u>\$ 538,551</u>	<u>\$ 689,219</u>

see accompanying notes

# SECOND HARVEST FOOD SUPPORT COMMITTEE

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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### 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:

#### 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. In 2009 management estimates that approximately 5.76 million pounds of food were recovered and delivered to agencies (5.97 million pounds in 2008).
- iv) Revenue on marketable securities is recorded when earned.
- v) 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.

# SECOND HARVEST FOOD SUPPORT COMMITTEE

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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### 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 14,200 hours in 2009 (14,800 in 2008).

#### **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's financial instruments consist of cash, short-term investments comprising bonds and guaranteed investment certificates, accounts receivable and accounts payable and accrued liabilities. The carrying value of accounts receivable and accounts payable and accrued liabilities approximates their fair value because of the short-term nature of these instruments. The fair value of investments held-for-trading are recorded at cost, plus accrued interest income, which management believes approximates the fair value of these instruments.

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

The organization manages its liquidity risk by monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses.

## SECOND HARVEST FOOD SUPPORT COMMITTEE

### NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

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#### 4. PROPERTY AND EQUIPMENT

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

	Cost	Accumulated Amortization	2009 Net	2008 Net
Delivery trucks	\$ 1,382,189	\$ (907,736)	\$ 474,453	\$ 514,868
Freezer	160,373	(51,706)	108,667	124,705
Furniture and equipment	61,223	(35,187)	26,036	31,652
Harvest Kitchen equipment	<u>39,878</u>	<u>(39,878)</u>	<u>nil</u>	<u>1,986</u>
	<u>\$ 1,643,663</u>	<u>\$(1,034,507)</u>	609,156	673,211
Leasehold improvements, net			<u>128,703</u>	<u>136,039</u>
			<u>\$ 737,859</u>	<u>\$ 809,250</u>

#### 5. DEFERRED PROPERTY AND EQUIPMENT GRANTS

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

	2009	2008
Deferred property and equipment grants, beginning of year	\$ 745,828	\$ 480,309
Add property and equipment received in the year	103,418	377,084
Less property and equipment grants amortized to income	<u>(143,318)</u>	<u>(111,565)</u>
Deferred capital grants, end of year	<u>\$ 705,928</u>	<u>\$ 745,828</u>

#### 6. SPECIAL EVENTS REVENUE

Special events revenue recognized in the year was as follows:

	2009	2008
Toronto Taste event	\$ 442,984	\$ 534,543
Lunch Money Day	401,033	378,705
Other special events	<u>189,511</u>	<u>143,781</u>
	<u>\$ 1,033,528</u>	<u>\$ 1,057,029</u>

#### 7. NON-FOOD DONATION REVENUE

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

	2009	2008
Foundations	\$ 515,357	\$ 388,196
Corporate	274,373	313,991
Individuals	<u>282,653</u>	<u>285,980</u>
	<u>\$ 1,072,383</u>	<u>\$ 988,167</u>

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## **SECOND HARVEST FOOD SUPPORT COMMITTEE**

### **NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2009**

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#### **8. 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.

#### **9. 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.