
**SECOND HARVEST FOOD SUPPORT
COMMITTEE**

FINANCIAL STATEMENTS

AUGUST 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Members,
Second Harvest Food Support Committee

Report on the Financial Statements

We have audited the accompanying financial statements of Second Harvest Food Support Committee, which comprise the statement of financial position as at August 31, 2011 and the statements of operations and changes in net assets and cash flows for the year then ended, and 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 generally accepted accounting principles 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donation and fundraising revenue, 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 donation and fundraising revenue, excess of revenue over expenses for the year, assets and net assets.

Qualified Opinion

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 donation and fundraising revenue, the financial statements present fairly, in all material respects, the financial position of Second Harvest Food Support Committee as at August 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Conquithwhite Mehta

Chartered Accountants
Licensed Public Accountants

October 21, 2011
Toronto, Ontario

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash	\$ 160,419	\$ 335,824
Short-term investments	450,183	412,134
Accounts receivable	132,923	35,955
Prepaid expenses	<u>20,978</u>	<u>16,547</u>
	764,503	800,460
Property and equipment (note 4)	<u>520,446</u>	<u>572,497</u>
	<u>\$ 1,284,949</u>	<u>\$ 1,372,957</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 93,549	\$ 65,853
Deferred property and equipment grants (note 5)	<u>493,149</u>	<u>561,104</u>
	<u>586,698</u>	<u>626,957</u>
Net assets		
Operations	<u>698,251</u>	<u>746,000</u>
	<u>\$ 1,284,949</u>	<u>\$ 1,372,957</u>

Approved on behalf of the Board:

F. Amodeo, Director

[Signature], Director

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2011

	2011	2010
REVENUE		
Food donations (note 2)	\$14,400,000	\$12,860,000
Non-food donations (note 6)	1,249,082	1,366,406
Special events (note 7)	1,450,899	1,228,380
Harvest kitchen grants	229,821	262,660
Capital property and equipment grants (note 5)	211,333	144,824
Interest and other	6,065	22,699
Gain on sale of trucks	<u>26,000</u>	<u> </u>
	<u>17,573,200</u>	<u>15,884,969</u>
EXPENSES		
Food recovery and delivery		
Food donations delivered to agencies (note 2)	14,400,000	12,860,000
Other food delivery related costs	1,050,419	1,017,621
Fundraising and special events	1,051,889	897,983
Office and general	564,542	480,057
Harvest kitchens	336,651	311,517
Amortization	<u>217,448</u>	<u>165,362</u>
	<u>17,620,949</u>	<u>15,732,540</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(47,749)	152,429
Net assets, beginning of year	<u>746,000</u>	<u>593,571</u>
NET ASSETS, END OF YEAR	<u>\$ 698,251</u>	<u>\$ 746,000</u>

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	\$ (47,749)	\$ 152,429
Adjust for non-cash items:		
Food donations	(14,400,000)	(12,860,000)
Food delivered to agencies	14,400,000	12,860,000
Amortization of deferred property and equipment grants	(211,333)	(144,824)
Amortization of property and equipment	217,448	165,362
Net change in non-cash working capital items		
(Increase) decrease in accounts receivable	(96,968)	8,384
Increase in prepaid expenses	(4,431)	(243)
Increase (decrease) in accounts payable and accrued liabilities	27,696	32,159
Increase (decrease) in deferred revenue	_____	(3,860)
	(115,337)	209,407
FINANCING ACTIVITIES		
Increase in capital grant contributions	143,378	
INVESTING ACTIVITIES		
Purchases of property and equipment	(165,397)	_____
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(137,356)	209,407
Cash and cash equivalents, beginning of year	747,958	538,551
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 610,602</u>	<u>\$ 747,958</u>
 Cash and cash equivalents is composed of:		
Cash	\$ 160,419	\$ 335,824
Short-term investments	450,183	412,134
	<u>\$ 610,602</u>	<u>\$ 747,958</u>

see accompanying notes

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

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 \$2.10 per pound. In 2011 management estimates that approximately 6.8 million pounds of food were recovered and delivered to agencies (6.4 million pounds at \$2.00 per pound in 2010).
- 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, 2011

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 15,800 hours in 2011 (13,800 hours in 2010).

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, 2011

4. PROPERTY AND EQUIPMENT

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

	Cost	Accumulated Amortization	2011 Net	2010 Net
Delivery trucks	\$ 1,483,165	\$(1,138,544)	\$ 344,621	\$ 356,023
Freezer	160,373	(83,781)	76,592	92,629
Furniture and equipment	<u>24,275</u>	<u>(8,094)</u>	<u>16,181</u>	<u>20,032</u>
	<u>\$ 1,667,813</u>	<u>\$(1,230,419)</u>	437,394	468,684
Leasehold improvements, net			<u>83,052</u>	<u>103,813</u>
			<u>\$ 520,446</u>	<u>\$ 572,497</u>

5. DEFERRED PROPERTY AND EQUIPMENT GRANTS

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

	2011	2010
Deferred property and equipment grants, beginning of year	\$ 561,104	\$ 705,928
Add property and equipment grants received in the year	143,378	
Less property and equipment grants amortized to income	<u>(211,333)</u>	<u>(144,824)</u>
Deferred property and equipment grants, end of year	<u>\$ 493,149</u>	<u>\$ 561,104</u>

6. NON-FOOD DONATION REVENUE

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

	2011	2010
Foundations	436,952	555,646
Corporate	310,852	414,505
Individuals	<u>501,278</u>	<u>396,255</u>
	<u>\$ 1,249,082</u>	<u>\$ 1,366,406</u>

SECOND HARVEST FOOD SUPPORT COMMITTEE

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

7. SPECIAL EVENTS REVENUE

Special events revenue recognized in the year was as follows:

	2011	2010
Toronto Taste event	\$ 739,837	\$ 631,666
Lunch Money Day	356,529	332,891
Other special events	<u>354,533</u>	<u>263,823</u>
	<u>\$ 1,450,899</u>	<u>\$ 1,228,380</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:

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.