

**FOODSHARE TORONTO INC.**

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**FINANCIAL STATEMENTS**

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**DECEMBER 31, 2012**

**FOODSHARE TORONTO INC.  
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DECEMBER 31, 2012**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of  
FoodShare Toronto Inc.

We have audited the accompanying financial statements of FoodShare Toronto Inc., which comprise the statement of financial position as at December 31, 2012, and the statements of operations, 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 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.

### **Auditors' 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 organization'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 organization'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 charitable organizations, FoodShare Toronto Inc. derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of FoodShare Toronto Inc. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2012, current assets as at December 31, 2012, and net assets as at December 31, 2012, and January 1, 2012.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of FoodShare Toronto Inc. as at December 31, 2012, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations .

### **Comparative Information**

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that FoodShare Toronto Inc. adopted Canadian accounting standards for not-for-profit organization on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

*Kanish & Partners LLP*

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada  
June 13, 2013

**FOODSHARE TORONTO INC.  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>2012</b>	<b>2011</b>
<b>REVENUE</b>		
Grants (note 4)	\$ 2,632,137	2,576,098
Donations	752,149	616,361
Grants and donations related to capital assets (note 8)	349,897	321,422
Sales of produce, catering and plants (note 5)	2,031,762	1,990,936
Fundraising events	143,271	77,406
Interest and miscellaneous	26,774	22,297
Bequests	20,000	5,013
	<u>5,955,990</u>	<u>5,609,533</u>
<b>EXPENSES</b>		
Salaries and benefits	2,883,917	2,559,114
Cost of produce, catering and plants	1,442,603	1,437,158
Volunteers	179,640	158,953
Warehouse	178,893	173,140
Office and general	174,378	192,985
Donation campaign	164,545	154,876
Sub-contractors	134,399	160,678
Vehicle expenses	91,780	86,639
Fundraising events	63,357	37,295
Project transportation	58,032	59,457
Training	54,256	67,917
Promotion	47,449	75,736
Garden supplies	16,917	42,975
Professional fees	16,009	17,100
Bad debts	11,226	9,904
Amortization	364,101	337,502
	<u>5,881,502</u>	<u>5,571,429</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 74,488</b>	<b>\$ 38,104</b>

(The accompanying notes form an integral part of these financial statements)

**FOODSHARE TORONTO INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2012**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>	<b>January 01, 2011</b>
<b>Current</b>			
Cash	\$ 84,905	\$ 196,022	\$ 66,027
Accounts receivable	181,211	154,851	109,462
Grants receivable	128,057	149,440	149,855
Commodity tax receivable	83,767	59,198	43,909
Inventory	70,398	58,209	69,153
Other receivable	19,917	52,423	25,601
Prepaid expenses and deposits	<u>2,250</u>	<u>13,458</u>	<u>13,877</u>
	<u>570,505</u>	<u>683,601</u>	<u>477,884</u>
<b>Long-term</b>			
Investments (note 7)	<u>365,630</u>	<u>408,765</u>	<u>402,517</u>
<b>Capital Assets</b>			
	<b>Cost</b>	<b>Accumulated Amortization</b>	
Computers	\$ 130,892	\$ 110,892	20,000
Furniture and equipment	438,880	357,946	80,934
Motor vehicles	530,283	342,934	187,349
Greenhouse	296,624	118,649	177,975
Leasehold improvements	<u>2,015,684</u>	<u>1,249,673</u>	<u>766,011</u>
	<u>\$3,412,363</u>	<u>\$ 2,180,094</u>	<u>22,039</u>
		<u>20,000</u>	<u>36,851</u>
		<u>187,349</u>	<u>70,248</u>
		<u>177,975</u>	<u>237,299</u>
		<u>766,011</u>	<u>1,204,404</u>
		<u>1,232,269</u>	<u>1,351,644</u>
		<u>1,351,644</u>	<u>1,339,007</u>
Greenhouse under construction	<u>-</u>	<u>-</u>	<u>296,624</u>
	<u>\$ 2,168,404</u>	<u>2,444,010</u>	<u>\$ 2,516,032</u>

(The accompanying notes form an integral part of these financial statements)

**FOODSHARE TORONTO INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012**

	2012	2011	January 01, 2011
<b>LIABILITIES</b>			
<b>Current</b>			
Bank overdraft (note 6)	\$ 94,939	\$ -	\$ 276,501
Accounts payable and accrued liabilities	38,960	103,510	147,848
Deferred revenue (note 10)	<u>349,667</u>	<u>519,531</u>	<u>184,749</u>
	483,566	623,041	609,098
<b>Long-term</b>			
Deferred revenue related to capital assets (note 8)	<u>1,018,609</u>	<u>1,229,228</u>	<u>1,353,297</u>
	<u>1,502,175</u>	<u>1,852,269</u>	<u>1,962,395</u>
<b>NET ASSETS</b>			
Externally restricted (note 11)	100,000	100,000	100,000
Internally restricted for Food Forever Fund (note 11)	390,000	390,000	360,000
Unrestricted	<u>176,229</u>	<u>101,741</u>	<u>93,637</u>
	666,229	591,741	553,637

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\$ 2,168,404    \$ 2,444,010    \$ 2,516,032

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Approved on Behalf of the Board:

Director ..... 

Director ..... 

(The accompanying notes form an integral part of these financial statements)

**FOODSHARE TORONTO INC.  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Internally Restricted for Food Forever (note 11)</b>	<b>Endowment (note 11)</b>	<b>Unrestricted</b>	<b>2012</b>	<b>2011</b>
<b>BALANCE</b> -beginning of year	\$ 390,000	\$ 100,000	\$ 101,741	\$ 591,741	\$ 553,637
Excess of revenue over expenses	-	-	74,488	74,488	38,104
<b>BALANCE</b> - end of year	\$ 390,000	\$ 100,000	\$ 176,229	\$ 666,229	\$ 591,741

(The accompanying notes form an integral part of these financial statements)



**FOODSHARE TORONTO INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 74,488	\$ 38,104
Items not requiring an outlay of cash		
Amortization of capital assets	364,101	337,502
Interest yield-to-maturity	( 6,865)	( 6,248)
Amortization of deferred revenue related to capital assets	( 349,897)	( 321,422)
Net changes in non-cash working capital:		
Accounts, grant, commodity tax and other receivable	2,960	( 87,085)
Inventory	( 12,189)	10,944
Prepaid expenses	11,208	419
Accounts payable and accrued liabilities	( 64,550)	( 44,338)
Deferred revenue	<u>( 169,864)</u>	<u>334,782</u>
	<u>( 150,608)</u>	<u>262,658</u>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Proceeds from (repayment of) bank indebtedness	94,939	(276,501)
Contributions received related to capital assets	<u>139,277</u>	<u>197,353</u>
	<u>234,216</u>	<u>(79,148)</u>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of capital assets	( 244,725)	( 53,513)
Redemption of investment	<u>50,000</u>	<u>-</u>
	<u>( 194,725)</u>	<u>( 53,513)</u>
<b>INCREASE (DECREASE) IN CASH</b>	( 111,117)	129,997
<b>CASH - beginning of year</b>	196,022	66,025
<b>CASH - end of year</b>	\$ 84,905	\$ 196,022

(The accompanying notes form an integral part of these financial statements)

**FOODSHARE TORONTO INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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**1. PURPOSE OF THE ORGANIZATION**

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FoodShare Toronto Inc. ("the Organization") was incorporated without share capital under the laws of Ontario to act as a catalyst for the advocacy and change towards eliminating hunger and to assist existing emergency food distribution agencies, food recovery programs and related groups.

FoodShare Toronto Inc. is designated as a registered charitable organization under the Canadian Income Tax Act, and accordingly is exempt from income taxes.

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**2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

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Effective January 1, 2012, the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, Canadian Accounting Standards for Not-for-Profit Organizations ("ASNFP"). These are the organization's first financial statements prepared in accordance with ASNFP and the transitional provisions of Section 1501 First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and the opening statement of financial position at January 1, 2011.

The organization issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook - Accounting - Part V - Pre-changeover accounting standards. The adoption of ASNFP had no impact on the previously reported assets, liabilities and net assets of the Organization, and accordingly; no adjustments have been recorded in the comparative statement of financial position, statement of operations, statement of changes in net assets and the statement of cash flows. Certain of the organization's disclosures included in these financial statements reflect the new disclosure requirements of ASNFP.

**FOODSHARE TORONTO INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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**3. ACCOUNTING POLICIES**

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These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

**a) Revenue Recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from the sale of products is recorded in the accounts when the goods have been delivered.

Interest is recognized on the accrual basis.

The Organization recognizes all other revenue when it is earned.

**b) Financial instruments**

**Financial assets**

Investment in securities that are not publicly traded on a stock exchange and term- deposits are initially recorded at fair value then amortized cost in subsequent periods. Earnings from such investments are recognized only to the extent received or receivable.

Cash and accounts receivable are recorded at amortized cost.

**Financial liabilities**

Bank overdraft and accounts payable are recorded at amortized cost.

**FOODSHARE TORONTO INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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**3. ACCOUNTING POLICIES** - continued

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**c) Capital Assets**

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated based on their estimated useful life on a straight line basis as follows:

Computers	over 3 years
Furniture and equipment	over 5 years
Motor Vehicles	over 4 years
Leasehold improvements	over 9 years
Greenhouse	over 5 years

**d) Inventory**

Inventory consists of purchased food items held for sale, and is valued at the lower of cost and net realizable value. Cost is determined using the first in first out method.

**e) Contributed Services**

The Organization derives significant benefits from volunteers. Since these services are not normally purchased by the Organization and because of the difficulty in determining their fair value, donated services are not recognized in these financial statements.

**f) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the reporting date and the reported amounts of revenue and expenses during the current period. Actual results could differ from the estimates and assumptions used.

**FOODSHARE TORONTO INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**4. GRANTS**

	<b>2012</b>	<b>2011</b>
Federal	\$ 316,193	\$ 319,957
Provincial	20,483	99,009
City of Toronto	382,257	308,277
United Way of Greater Toronto	318,096	298,408
Foundations	<u>1,595,108</u>	<u>1,550,447</u>
	<u>\$ 2,632,137</u>	<u>\$ 2,576,098</u>

Foundation grant income has been reported net of distribution to agencies of \$241,828 (2011-\$222,380). These funds were received by FoodShare Toronto Inc. on behalf of food organization partners as part of FoodShare Toronto Inc.'s commitment to networking and partnership.

**5. SALES OF PRODUCE, CATERING, PLANTS AND WORKSHOPS**

	<b>2012</b>	<b>2011</b>
Good food boxes and bulk sales	\$ 1,775,302	\$ 1,756,186
Catering sales	238,196	231,359
Workshops and urban agriculture sales	<u>18,264</u>	<u>3,391</u>
	<u>\$ 2,031,762</u>	<u>\$ 1,990,936</u>

**6. BANK INDEBTEDNESS**

The Organization has two line of credit facilities (\$400,000 and \$200,000) and a credit card with a limit of \$40,000 with Alterna Savings & Credit Union ("Union"). The two lines of credit bear interest at the Union's prime rate plus 5.00% and 3.25% per annum respectively, and are secured by a general security agreement. Bank Indebtedness, as at December 31, 2012 is comprised of \$128,238 of outstanding cheques drawn on cash balance.

**FOODSHARE TORONTO INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**7. INVESTMENTS**

	<b>2012</b>	<b>2011</b>
Term deposits - bearing interest at rates between 2.25% and 2.80% and maturing in 2015 and 2016.	\$ 265,630	\$ 259,353
Provincial bond, bears interest at coupon rate of 5.13% per annum, matured on December 2012.	-	49,412
1,000 preference shares in TREC Windpower Co-operative Incorporated. (Windshare) (note 11)	<u>100,000</u>	<u>100,000</u>
	<u>\$ 365,630</u>	<u>\$ 408,765</u>

Shares in Windshare bear the right to participate in the income, attend and vote at all meetings of the members of Windshare.

**8. DEFERRED REVENUE RELATED TO CAPITAL ASSETS**

**Ontario Realty Corporation (ORC) Grant**

The grant received from the ORC on behalf of "Waterfront Toronto", a tri-government Toronto waterfront initiative, for leasehold improvements is deferred and recognized as revenue on the same basis as the amortization of the leasehold improvements.

**Building Campaign Donations**

During the year the Organization recognized \$52,753 of revenue that pertained to donations received and restricted to the building campaign. The goal of the Building Campaign is to raise funds for certain leasehold improvements, furniture & fixtures, kitchen equipment and warehouse vehicles. The deferred donations are recognized as revenue on the same basis as the amortization of the related capital assets.

**Other Grants**

Other grants are comprised of amounts received from various foundations and governments for specific programs. The amounts are restricted for purchasing capital assets required to operate the programs. The grants are recognized as revenue on the same basis as the amortization of the related capital assets.

**FOODSHARE TORONTO INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**8. DEFERRED REVENUE RELATED TO CAPITAL ASSETS - continued**

Changes in the deferred revenue related to capital assets are as follows:

	<b>ORC Grant</b>	<b>Donations for Building Campaign</b>	<b>Other Grants</b>	<b>2012</b>	<b>2011</b>
Balance - beginning of year	\$ 725,597	\$ 109,933	\$ 393,699	\$ 1,229,229	\$ 1,353,297
Add: Amounts received during the year	-	100	139,177	139,277	197,353
Less: Amounts recognized as revenue	<u>( 165,165)</u>	<u>( 52,753)</u>	<u>( 131,979)</u>	<u>( 349,897)</u>	<u>( 321,422)</u>
Balance - end of the year	<u>\$ 560,432</u>	<u>\$ 57,280</u>	<u>\$ 400,897</u>	<u>\$ 1,018,609</u>	<u>\$ 1,229,228</u>

**9. BUILDING CAMPAIGN**

In previous years the Organization spent \$2,126,239 for leasehold improvements, of which \$1,500,000 was financed through grants from the ORC. The Organization launched a building campaign to raise the balance of \$626,239. As of December 31, 2012, donations of \$500,909 had been received. The Organization continues its building campaign to raise the remaining \$125,330.

**FOODSHARE TORONTO INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**10. DEFERRED REVENUE**

Deferred revenue represents amounts restricted for operating expenses of specific programs as specified by the donors. The amount recognized as revenue during the year is included in Grants. Changes in the deferred revenue balance are as follows:

	<b>2012</b>	<b>2011</b>
Balance - beginning of year	\$ 519,531	\$ 184,749
Add: Amounts received during the year	1,862,711	1,689,482
Less: Amount recognized as revenue	<u>( 2,032,575)</u>	<u>( 1,354,700)</u>
Balance - end of the year	<u>\$ 349,667</u>	<u>\$ 519,531</u>

**11. OTHER RESTRICTIONS ON NET ASSETS**

Included in net assets is, \$100,000 which is subject to restriction imposed by the donor stipulating permanent investment in Windshare (note 7). Investment income from Windshare is unrestricted.

The board of directors have internally restricted \$390,000 as the Food Forever Fund which is for future sustainability of the programs. These internally restricted amounts are not available for any other purpose without approval of the board of directors.

**12. COMMITMENTS**

The Organization has entered into an operating lease for it's premises with the Toronto District School Board and other leases for equipment. The future minimum lease payments required over the next five (5) years are as follows:

	<b>Premises</b>	<b>Equipment</b>
2013	\$ 128,526	\$ 40,363
2014	\$ 128,526	\$ 40,363
2015	\$ 128,526	\$ 37,255
2016	\$ 85,684	\$ 27,933
2017	\$ -	\$ 6,983



**FOODSHARE TORONTO INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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**13. FINANCIAL INSTRUMENTS**

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**Credit risk**

Investment in WindShare expose to risks arises from the possibility that a counter-party to contract fails to perform according to the terms and conditions of that contract.

Credit risk arises from the possibility that customers of the Good food boxes program may not pay. Accounts receivable are monitored and followed-up by management on a continuous basis to minimize the risk of lost revenue.

**Interest rate risk**

The term deposits and provincial bond earn interest at a fixed rate, therefore are not exposed to fluctuations in market interest rates.

The cash and term deposits are held by a reputable and well capitalized financial institution.

In management's opinion, the Organization is not exposed to any foreign currency risk.

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**14. COMPARATIVE FIGURES**

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Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.