

FOODSHARE TORONTO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008



Kanish & Partners
CHARTERED ACCOUNTANTS
AND ADVISORS

**FOODSHARE TORONTO INC.
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DECEMBER 31, 2008**

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AUDITORS' REPORT

To the members of
FoodShare Toronto Inc.

We have audited the statement of financial position of FoodShare Toronto Inc. as at December 31, 2008 and the statements of operations, 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.

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 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 donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues 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 revenues, excess of revenues over expenses, current 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 the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the FoodShare Toronto Inc. as at December 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.

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada
April 08, 2009

**FOODSHARE TORONTO INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008**

REVENUE	<u>2008</u>	<u>2007</u>
Grants (note 4)	\$ 2,166,890	1,840,025
Grants - Ontario Realty Corporation (note 9)	165,165	113,743
Sales of produce, catering and plants (note 6)	1,472,450	1,292,041
Donations (note 5)	647,363	599,928
Bequests	23,652	93,733
Interest	14,761	17,853
Events and miscellaneous	<u>9,792</u>	<u>11,444</u>
	<u>4,500,073</u>	<u>3,968,767</u>
 EXPENSES		
Salaries and benefits	1,719,649	1,586,462
Cost of produce, catering and plants	1,076,019	984,548
Distribution to agencies	392,772	253,621
Office and general	240,331	208,884
Fundraising and events	164,897	180,574
Warehouse	162,296	160,317
Sub contracts	146,352	164,893
Volunteers	117,440	103,825
Transportation	80,853	76,515
Travel	27,206	24,477
Professional fees	15,582	11,034
Promotion	8,421	18,295
Bad debts	8,038	3,311
Amortization	<u>314,685</u>	<u>168,207</u>
	4,474,541	3,944,963
 EXCESS OF REVENUES OVER EXPENSES		
	\$ 25,532	\$ 23,804

**FOODSHARE TORONTO INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008**

ASSETS	<u>2008</u>	<u>2007</u>		
<u>Current</u>				
Cash	\$ 307,655	\$ 158,477		
Accounts receivable	95,550	80,683		
Grants receivable	76,881	44,954		
Bequest and other receivables	147,927	277,837		
Inventory	78,736	53,086		
Prepaid expenses	<u>48,865</u>	<u>12,961</u>		
	<u>755,614</u>	<u>627,998</u>		
<u>Long-term</u>				
Investments (note 7)	<u>382,218</u>	<u>370,612</u>		
<u>Capital</u>				
	<u>Cost</u>	<u>Accumulated Amortization</u>		
Computer	\$ 95,279	\$ 54,409	40,870	9,083
Furniture and equipments	305,750	198,036	107,714	173,020
Motor vehicles	267,451	237,186	30,265	16,930
Leasehold improvements	<u>1,950,114</u>	<u>322,694</u>	<u>1,627,420</u>	<u>1,822,012</u>
	<u>\$ 2,618,594</u>	<u>\$ 812,325</u>	<u>1,806,269</u>	<u>2,021,045</u>
<u>Greenhouse under construction</u>			31,526	1,624
			\$ 2,975,627	\$ 3,021,279

**FOODSHARE TORONTO INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
LIABILITIES		
<u>Current</u>		
Bank overdraft (note 8)	\$ -	\$ 341,334
Accounts payable and accrued liabilities	43,752	37,991
Deferred revenue (note 11)	513,551	120,283
Bank loan - current portion (note 12)	<u>971</u>	<u>9,677</u>
	<u>558,274</u>	<u>509,285</u>
<u>Long-term</u>		
Bank loan (note 12)	-	2,496
Deferred revenue related to capital assets (note 9)	<u>1,807,766</u>	<u>1,925,443</u>
	<u>1,807,766</u>	<u>1,927,939</u>
	<u>2,366,040</u>	<u>2,437,224</u>
NET ASSETS		
Invested in capital assets	43,531	33,637
Externally restricted for investment in Windshare (note 13)	100,000	100,000
Internally restricted for Food Forever Fund (note 13)	360,000	340,000
Unrestricted	<u>106,056</u>	<u>110,418</u>
	609,587	584,055
	<u>\$ 2,975,627</u>	<u>\$ 3,021,279</u>

Approved on Behalf of the Board:

Director

Director



**FOODSHARE TORONTO INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Invested in Capital Assets</u>	<u>Restricted for Food Forever (note 13)</u>	<u>Restricted for Windshare Investment (note 13)</u>	<u>Un-restricted</u>	<u>2008</u>	<u>2007</u>
BALANCE - beginning of year	\$ 33,637	\$ 340,000	\$ 100,000	\$ 110,418	\$ 584,055	\$ 560,251
Excess of revenues over expenses	(27,943)	-	-	53,475	25,532	23,804
Investment in capital assets	37,837	-	-	(37,837)	-	-
Interfund transfer	-	20,000	-	(20,000)	-	-
BALANCE - end of year	\$ 43,531	\$ 360,000	\$ 100,000	\$ 106,056	\$ 609,587	\$ 584,055

**FOODSHARE TORONTO INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 25,532	\$ 23,804
Items not requiring an outlay of cash		
Amortization of capital assets	314,685	168,207
Amortization of deferred revenue related to capital assets	(286,742)	(138,368)
Net changes in non-cash working capital:		
Term deposits	-	40,873
Accounts, grant, bequest and other receivable	83,117	291,493
Inventory	(25,650)	4,370
Prepaid expenses	(35,905)	11,596
Accounts payable and accrued liabilities	5,763	(368,740)
Deferred revenue	393,268	(84,071)
	<u>474,068</u>	<u>(50,836)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Contribution received related to capital assets	169,065	1,264,084
Repayment of bank loan	(11,202)	(10,389)
	<u>157,863</u>	<u>1,253,695</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of capital assets	(99,912)	(1,308,711)
Greenhouse under construction	(29,902)	-
Investments	(11,605)	-
	<u>(141,419)</u>	<u>(1,308,711)</u>
INCREASE (DECREASE) IN CASH	490,512	(105,852)
BANK OVERDRAFT - beginning of year	(182,857)	(77,005)
<hr/>		
CASH AND BANK OVERDRAFT - end of year	\$ 307,655	\$(182,857)
<hr/>		
<u>REPRESENTED BY</u>		
Cash	\$ 307,655	\$ 158,477
Bank overdraft	-	(341,334)
	<u>\$ 307,655</u>	<u>\$(182,857)</u>

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

1. PURPOSE OF THE ORGANIZATION

FoodShare Toronto Inc. was incorporated as a corporation 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.

2. CHANGE IN ACCOUNTING POLICY

On January 1, 2008, the Organization adopted CICA Handbook Section 3855, "Financial Instruments - recognition and measurement", Section 3862, "Financial Instruments - disclosures", and Section 3863, "Financial Instruments - presentation". These standards provide recommendations on recognizing and measuring financial assets and financial liabilities.

The main changes in accounting for financial instruments resulting from the adoption of these accounting standards are described below.

The Organization classified its cash, accounts receivable, grant receivable, bequest and other receivable, accounts payable, bank overdraft and bank loan as financial assets and liabilities held for trading. Investments are classified as financial assets held-to-maturity.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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.

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

3. ACCOUNTING POLICIES - continued

Revenue Recognition - continued

Revenue from sale of products is recorded in the accounts when title passes to the buyer.

The Organization recognizes all other revenue when it is earned.

b) Financial assets and liabilities

Assets or liabilities held for trading

Financial instruments classified as assets or liabilities held for trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs.

Held-to-maturity investments, loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in the statement of operations over the expected life of the instrument.

c) Capital Assets

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

Computer	over 3 years
Furniture and equipment	over 5 years
Motor Vehicle	over 4 years
Leasehold improvements	over 9 years

d) Inventory

Inventory is valued at the lower of cost and net realizable. Cost is determined using the first in first out method.

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

3. ACCOUNTING POLICIES - continued

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 of 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.

4. GRANTS

	<u>2008</u>	<u>2007</u>
Federal	\$ 337,187	\$ 375,352
Provincial	34,096	3,900
City of Toronto	184,885	184,731
United Way of Greater Toronto Foundations	474,912	424,086
	<u>1,135,810</u>	<u>851,956</u>
	<u>\$ 2,166,890</u>	<u>\$ 1,840,025</u>

5. DONATIONS

	<u>2008</u>	<u>2007</u>
Direct mail and others	\$ 534,690	\$ 575,333
Building campaign donation - Amount recognized as revenue (note 9)	112,673	24,595
	<u>\$ 647,363</u>	<u>\$ 599,928</u>

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

6. SALE OF PRODUCE, CATERING AND PLANTS

	<u>2008</u>	<u>2007</u>
Good Food Boxes and Bulk Sales	\$ 1,325,881	\$ 1,201,866
Catering	141,266	87,394
Urban Agriculture Sales	<u>5,303</u>	<u>2,781</u>
	<u>\$ 1,472,450</u>	<u>\$ 1,292,041</u>

7. INVESTMENTS

	<u>2008</u>	<u>2007</u>
Term deposits	\$ 239,640	\$ 230,207
1,000 preference shares in TREC Windpower Co-operative Incorporated. (Windshare)	100,000	100,000
Government bonds, bears coupon interest rate at 5.13% per annum, maturing December 2012	<u>42,578</u>	<u>40,405</u>
	<u>\$ 382,218</u>	<u>\$ 370,612</u>

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

8. BANK OVERDRAFT

The Organization has line of credit facilities for \$619,000, the full amount remained unused at December 31, 2008. The line of credit facilities bear interest at bank's prime plus 0.25% to 2.00% per annum and are secured by general security agreement and term deposits in the amount of \$219,000.

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

9. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Ontario Realty Corporation (ORC) Grant

Grants received from ORC on behalf of "Waterfront Toronto", a tri-government Toronto waterfront initiative, for the leasehold improvements are deferred and recognized as revenue on the same basis as the amortization expense related to the specific capital assets acquired.

Building Campaign Donation

During the year the Organization raised \$106,994 through building campaign for leasehold improvements to the existing building. Money raised for leasehold improvements is deferred and recognized as revenue on the same basis as the amortization expense related to the specific capital assets acquired. The amount recognized as revenue during the year is included in donation.

Other Grants

Restricted grant received for specific programs' capital expenditures are deferred and recognized as revenue on the same basis as the amortization expense related to the specific capital assets acquired. The amount recognized as revenue during the year is included in Grants.

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

	<u>ORC Grant</u>	<u>Building Campaign</u>	<u>Other Grants</u>	<u>2008</u>	<u>2007</u>
Balance - beginning of year	\$ 1,386,257	\$ 364,186	\$ 175,000	\$ 1,925,443	\$ 799,727
Add: Amounts received during the year	-	106,994	62,071	169,065	1,164,084
Add: Bequest internally restricted	-	-	-	-	100,000
Less: Amounts recognized as revenue	<u>(165,165)</u>	<u>(112,673)</u>	<u>(8,904)</u>	<u>(286,742)</u>	<u>(138,368)</u>
Balance - end of the year	<u>\$ 1,221,092</u>	<u>\$ 358,507</u>	<u>\$ 228,167</u>	<u>\$ 1,807,766</u>	<u>\$ 1,925,443</u>

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
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10. BUILDING CAMPAIGN

The Organization spent \$2,126,239 for leasehold improvements, of which \$1,500,000 was financed through grants from ORC. The Organization launched a building campaign to raise the balance \$626,239. As of December 31, 2008, contribution of \$495,281 have been raised. The Organization continues its building campaign to raise the remaining \$130,958.

11. DEFERRED REVENUE

Deferred revenue represent unspent resources restricted for specific programs according to the grant agreements. The amount recognized as revenue during the year is included in Grants. Changes in the deferred revenue balance are as follows:

	<u>2008</u>	<u>2007</u>
Balance - beginning of year	\$ 120,283	\$ 204,354
Add: Amounts received during the year	1,396,929	1,755,954
Less: Amount recognized as revenue	<u>1,003,661</u>	<u>1,840,025</u>
Balance - end of the year	<u>\$ 513,551</u>	<u>\$ 120,283</u>

12. BANK LOAN

The bank loan bears interest at prime plus 1% per annum, repayable in blended monthly installments of \$971, matures on January 30, 2009 and is secured by the following:

- General Security Agreement with specific first charge over the refrigerated truck;
- Assignment of auto insurance

	<u>2008</u>	<u>2007</u>
Bank loan	\$ 971	\$ 12,173
<u>Less:</u> current portion	<u>971</u>	<u>9,677</u>
Long-term portion	<u>\$ -</u>	<u>\$ 2,496</u>

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

13. RESTRICTIONS ON NET ASSETS

Of the net assets, \$100,000 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 approved the transfer of \$20,000 from the unrestricted Fund to "Food Forever Fund".

The board of directors have internally restricted \$360,000 for "Food Forever Fund", which is to be used for emergencies, eliminate hunger and ensure improved access to affordable and nutritious food. These internally restricted amounts are not available for other purposes without approval of the board of directors.

14. FINANCIAL INSTRUMENTS

Fair value

The carrying value of cash, accounts receivable, grants receivable, bequest and other receivable, bank loan and accounts payable approximates their fair values due to their short-term maturity.

Risk arising from financial instruments

The Organization's maximum credit risk for the year is \$320,358 (2007- \$ 403,474) which is the total of its accounts receivable, grant receivable and bequest and other receivable. It is very unlikely that all creditors default on their obligations.

Unless otherwise noted, it is the Board's opinion that in light of the straightforward nature of the Organization's operation, and the policies to manage risk that are in place, the Organization's exposure to interest rate and currency risk arising from its financial instruments is immaterial.

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

15. COMMITMENTS

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

	<u>Premises</u>	<u>Equipment</u>
2009	\$ 128,526	\$ 31,464
2010	\$ 128,526	\$ 31,464
2011	\$ 128,526	\$ 17,713
2012	\$ 128,526	\$ 8,856
2013 and thereafter	\$ 385,580	\$ -

16. COMPARATIVE FIGURES

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