FOODSHARE TORONTO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

Kanish&Partners LLP
Chartered Accountants and Business Advisors

FOODSHARE TORONTO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

CONTENTS

Kanish&Partners LLP
Chartered Accountants and Business Advisors

Kanish A. Thevarasa CPA, CA
Julian A. Emmanuel CPA, CA
Timothy Arulappa CPA, CA

INDEPENDENT AUDITORS' 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, 2016, 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.

1200 Bay Street, Suite 1203 | kp@kanish-partners.com | Tel. 416.975.9292
Toronto, Ontario M5R 2A5 | www.kanish-partners.com | Fax. 416.975.9275

GGi INDEPENDENT MEMBER CA

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 these revenues 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, 2016, current assets and net assets as at January 1, 2016 and December 31, 2016.

Qualified Opinion

In our opinion, except for the 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, 2016, 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.

Kanish & Partners LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada
June 9, 2017

FOODSHARE TORONTO INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUE		
Grants (note 3)	$ 2,944,513	3,213,955
Grants and donations related to capital assets (note 7)	248,458	349,635
Sales of produce, catering, plants and others (note 4)	2,684,471	2,427,144
Donations	776,469	750,463
Training and consulting	22,774	31,147
Fundraising events	148,536	238,145
Interest and miscellaneous	22,754	19,968
Bequests	128,781	62,400
	6,976,756	7,092,857
EXPENSES		
Salaries and benefits	3,298,960	3,046,070
Cost of produce, catering and plants	1,976,377	1,815,114
Warehouse and facilities	288,578	168,603
Volunteers	191,020	175,891
Office and general	154,381	160,427
Subcontractors	140,743	479,248
Donation campaign	136,539	126,232
Vehicle expenses	135,881	146,334
Fundraising events	82,065	165,532
Training	57,981	59,594
Project transportation	50,581	52,115
Garden supplies	50,308	48,334
Professional fees	22,018	17,283
Promotion	19,253	40,368
Bad debts	497	17,376
Amortization (note 13)	211,997	422,496
	6,817,179	6,941,017
EXCESS OF REVENUE OVER EXPENSES	$ 159,577	$ 151,840

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

FOODSHARE TORONTO INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

			2016	2015
ASSETS				
Current				
Cash			$ 464,408	$ 611,988
Accounts receivable			295,506	280,797
Grants receivable			128,910	331,650
Commodity tax receivable			177,274	56,961
Inventory			45,849	53,360
Donations and other receivable			166,182	115,799
Prepaid expenses and deposits			13,687	28,052
Investments - current portion (note 5)			-	289,508
			1,291,816	1,768,115
Long-term				
Investments - net of current portion (note 5)			513,232	315,084
Capital Assets				
	Cost	**Accumulated Amortization**		
Computers	$ 165,661	$ 153,846	11,815	21,283
Furniture and equipment	476,949	447,581	29,369	19,331
Motor vehicles	588,941	542,697	46,244	66,948
Leasehold improvements	926,175	92,617	833,557	108,421
	$ 2,157,726	$ 1,236,741	920,985	215,983
			$ 2,726,033	$ 2,299,182

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

FOODSHARE TORONTO INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	2016	2015
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 189,620	$ 179,086
Asset retirement obligation (note 13)	-	120,000
Deferred revenue (note 8)	972,861	925,874
	1,162,481	1,224,960
Long-term		
Deferred revenue related to capital assets (note 7)	529,394	199,641
	1,691,875	1,424,601
NET ASSETS		
Externally restricted (note 10)	100,000	100,000
Internally restricted for Food Forever Fund (note 10)	465,000	465,000
Unrestricted	469,158	309,581
	1,034,158	874,581
	$ 2,726,033	$ 2,299,182

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, 2016

	Internally Restricted for Food Forever (note 10)	Endowment (note 10)	Unrestricted	2016	2015
BALANCE - beginning of year	$ 465,000	$ 100,000	$ 309,581	$ 874,581	$ 722,741
Excess of revenue over expenses	-	-	159,577	159,577	151,840
BALANCE - end of year	$ 465,000	$ 100,000	$ 469,158	$ 1,034,158	$ 874,581

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

FOODSHARE TORONTO INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
CASH FLOWS FOR OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 159,577	$ 151,840
Items not requiring an outlay of cash:		
Amortization of capital assets	269,259	422,496
Overprovision of asset retirement obligation (note 13)	(57,262)	-
Interest on investment	(10,105)	(8,378)
Grants related to capital assets	(248,458)	(349,635)
	113,011	216,323
Net changes in non-cash working capital:		
Accounts receivable	(14,709)	(68,245)
Grants receivable	202,740	(203,273)
Commodity tax receivable	(120,313)	13,560
Donation and other receivable	(50,383)	28,198
Inventory	7,511	231
Prepaid expenses and deposits	14,365	(22,618)
Accounts payable and accrued liabilities	10,534	68,899
Asset retirement obligation (note 13)	(62,738)	-
Deferred revenue	46,987	361,409
	147,005	394,484
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received related to capital assets	578,211	115,450
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES		
Purchase of capital assets	(974,261)	(26,979)
(Purchase) maturity of investment	101,465	(87,227)
	(872,796)	(114,206)
INCREASE (DECREASE) IN CASH	(147,580)	395,728
CASH - beginning of year	611,988	216,260
CASH - end of year	$ 464,408	$ 611,988

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

1. PURPOSE OF THE ORGANIZATION

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.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles appropriate for not-for-profit organizations and reflect the following significant accounting 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.

Endowment contributions are recognized as direct increases in net assets in the year.

Revenue from the sale of products is recognized when the goods have been delivered, price is fixed or determinable, and collection is reasonably assured.

Interest is recognized on the accrual basis.

The Organization recognizes all other revenue when it is earned.

b) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets subsequently measured at amortized cost include cash, investments, accounts receivable, grants receivable and donations and other receivable.

Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and asset retirement obligations.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

The Organization's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

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 5 years

2. SIGNIFICANT ACCOUNTING POLICIES - continued

d) Impairment of Long-lived Assets

Long-lived assets are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. In such cases, an impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

e) Inventory

Inventory consists of packing materials, books and manuals held for use of service and sale. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in first out method.

f) Contributed materials and services

The Organization derives benefits from donors for fundraising activities. Since these materials and services would normally be purchased by the Organization and as fair value can be determined, donated materials and services are recognized in these financial statements based on their estimated fair value.

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.

g) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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. The significant estimates relate to the valuation of accounts receivable, impairment of investments, determining the useful life of capital assets and valuation of non-monetary contributions.

3. GRANTS

	2016	2015
Foundations	$ 1,191,943	$ 1,146,368
Toronto Foundation for Student Success	845,460	883,730
City of Toronto	542,511	415,524
United Way of Greater Toronto	304,716	359,894
Provincial Government	49,732	391,398
Federal Government	10,151	17,041
	$ 2,944,513	$ 3,213,955

Foundations grant income has been reported net of distributions to agencies of $334,160 (2015: $322,112). These funds were received by FoodShare on behalf of food organization partners as part of FoodShare Toronto's commitment to networking and partnership.

The grant from Toronto Foundation for Student Success is for community development activities of student nutrition programs.

4. SALES OF PRODUCE, CATERING, PLANTS AND OTHERS

	2016	2015
Good food boxes and bulk sales	$ 2,351,694	$ 2,028,939
Catering sales, Good Food Café and others	306,395	371,993
Urban Agriculture & School Grown	26,382	26,212
	$ 2,684,471	$ 2,427,144

5. INVESTMENTS

	2016	2015
Term deposits - bearing interest at rates between 1.60% and 2.25% and maturing between 2020 and 2021.	$ 291,412	$ 285,338
Guaranteed Investment Certificates - bearing interest at rates between 2.15% and 2.25% and maturing in 2020.	121,819	219,254
1,000 preference shares in TREC Windpower Co-operative Incorporated. (Windshare) (note 9)	100,000	100,000
	513,231	604,592
Less: current portion	-	(289,508)
Long-term portion	$ 513,231	$ 315,084

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

The term deposits are provided as security for the bank facilites as disclosed in note 6.

6. BANK FACILITIES

The Organization has two demand line of credit facilities ($400,000 and $200,000) and a credit card with a limit of $40,000 with Alterna Savings & Credit Union ("the Union"). The two line of credit facilities bear interest at the Union's prime rate plus 2% and 0.25% respectively (as at December 31, 2016 - 4.7% and 2.95% per annum respectively) and are secured by a general security agreement and term deposits (see note 5).

At December 31, 2016 and December 31, 2015, no amounts were drawn on these facilities.

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

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

	ORC Grant	New Premises	Other Grants	2016	2015
Balance - beginning of year	$ 64,937	$ -	$ 134,704	$ 199,641	$ 433,826
Add: Amounts received during the year	15,399	517,258	45,554	578,211	115,450
Less: Amounts recognized as revenue	(80,336)	(58,105)	(110,017)	(248,458)	(349,635)
Balance - end of the year	$ -	$ 459,153	$ 70,241	$ 529,394	$ 199,641

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 at 90 Croatia Street, was deferred and recognized as revenue on the same basis as the amortization of the leasehold improvements. These leasehold additions were fully amortized during the year, and accordingly the deferred revenue was fully recognized.

New Premises

During the year, the Organization raised funds of $517,258 from various foundations and individuals which are restricted for purchasing the leasehold improvements at its new premises located at 120 Industry Street, Toronto. These amounts are recognized as revenue on the same basis as the amortization of the related leasehold improvements.

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.

8. DEFERRED REVENUE

Deferred revenue represents amounts received for operating expenses of specific programs as specified by the donors. Amounts are recognized as revenue in the year in which the related expenses are incurred. The amounts recognized as revenue during the year are included in Grants. Changes in the deferred revenue balance are as follows:

	2016	2015
Balance - beginning of year	$ 925,874	$ 564,465
Add: Amounts received during the year	2,619,102	2,991,419
Less: Amount recognized as revenue	(2,572,115)	(2,630,010)
Balance - end of the year	$ 972,861	$ 925,874

9. LEASEHOLD IMPROVEMENT FOR NEW PREMISES

During the year, the Organization spent $926,175 on leasehold improvements for the new premises at 120 Industry Street, Toronto, of which $517,258 was financed through various grants and donations received during the year. $345,124 was financed through internally generated surpluses from prior years. The remaining difference of $63,793 was raised and received subsequent to the year-end to finance the leasehold improvements.

10. OTHER RESTRICTIONS ON NET ASSETS

Included in net assets is $100,000 which is subject to a restriction imposed by the donor stipulating permanent investment in Windshare (note 5). Investment income from Windshare is unrestricted.

The board of directors have internally restricted $465,000 as the Food Forever Fund. This is a reserve which is to be used for future sustainability of the Organization, including unforeseen operational requirements and other strategic decisions aligned to achieving FoodShare's mission. These internally restricted amounts are not available for any other purpose without approval of the board of directors.

11. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments, without being exposed to concentration of risk. The following analysis presents the Organization's exposures to significant risks at December 31, 2016:

a) Credit risk

The Organization is exposed to credit risk with respect to its grants receivable, accounts receivable and investments.

Grants receivable are generally received at the beginning of the subsequent year.

The Organization provides credit to its customers in the normal course of operations. The Organization monitors, on a continuous basis, the amounts it is virtually certain to receive and provides provision for bad debts as necessary.

The Organization places its investments with high quality institutions to mitigate this risk. Investments are primarily composed of term deposits and guaranteed investment certificates.

b) Interest rate risk

The Organization is exposed to interest rate risk on its fixed interest rate and floating interest rate investments. Fixed rate instruments subject the Organization to fair value risk while the floating rate instruments subject it to a cash flow risk.

c) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk arising primarily from its accounts payable and accrued liabilities.

12. COMMITMENTS

The Organization has entered into an operating lease for its current premises expiring on March 31, 2021 and other leases for equipment. The future minimum lease payments required are as follows:

	Premises	Equipment
2017	$ 109,745	$ 15,387
2018	113,207	8,404
2019	118,326	4,202
2020	123,745	-
2021	20,775	-
	$ 485,798	$ 27,993

13. ASSET RETIREMENT OBLIGATION

Under the lease agreement for its previous premises, the Organization had to dismantle certain leasehold improvements at the end of the lease. In the prior year, the Organization recognized the estimated cost of the dismantling to be $120,000, which was recognized in the financial statements as an asset retirement obligation.

In the current year, the Organization incurred costs totalling $62,738 in dismantling the leasehold improvements at the previous premises, and no further dismantling costs are anticipated. Accordingly, the over-provided asset retirement obligation in the prior year of $57,262 has been reversed to amortization in the current year.