

FOODSHARE TORONTO INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

**FOODSHARE TORONTO INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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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, 2017, 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 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, 2017, current assets and net assets as at December 31, 2016 and December 31, 2017. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

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, 2017, 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.



CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Toronto, Canada
May 1, 2018

**FOODSHARE TORONTO INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Unrestricted	2017 Restricted	2017 Total	2016
REVENUE				
Grants (note 3)	\$ 2,790,118	\$ -	\$ 2,790,118	2,944,513
Grants and donations related to capital assets (note 7)	160,067	-	160,067	248,458
Sales of produce, catering and other (note 4)	2,565,433	-	2,565,433	2,684,471
Donations	729,828	-	729,828	776,469
Training and consulting	71,663	-	71,663	22,774
Fundraising events	173,237	-	173,237	148,536
Interest and miscellaneous	23,223	-	23,223	22,754
Bequests	16,852	-	16,852	128,781
	<u>6,530,421</u>	<u>-</u>	<u>6,530,421</u>	<u>6,976,756</u>
EXPENSES				
Salaries and benefits	3,280,925	-	3,280,925	3,298,960
Cost of produce and catering	1,796,887	-	1,796,887	1,976,377
Warehouse and facilities	273,413	-	273,413	288,578
Volunteers	193,782	-	193,782	191,020
Vehicle expenses	131,356	-	131,356	135,881
Donation campaign	124,131	-	124,131	136,539
Office and general	110,500	-	110,500	154,878
Subcontractors	73,020	-	73,020	140,743
Garden supplies	70,374	-	70,374	50,308
Fundraising events	67,451	-	67,451	82,065
Project transportation	50,625	-	50,625	50,581
Training	39,085	-	39,085	57,981
Promotion	21,046	-	21,046	19,253
Professional fees	20,272	-	20,272	22,018
Loss on truck write off	11,485	-	11,485	-
Impairment loss on investment (note 9)	-	99,999	99,999	-
Amortization	218,208	-	218,208	211,997
	<u>6,482,560</u>	<u>99,999</u>	<u>6,582,559</u>	<u>6,817,179</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
	\$ 47,861	\$(99,999)	\$(52,138)	\$ 159,577

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

FOODSHARE TORONTO INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	2017	2016		
ASSETS				
Current				
Cash	\$ 571,758	\$ 464,408		
Accounts receivable	329,161	295,506		
Grants receivable	102,887	128,910		
Commodity tax recoverable	93,999	177,274		
Inventory	53,711	45,849		
Donations and other receivable	65,512	166,182		
Prepaid expenses and deposits	<u>14,026</u>	<u>13,687</u>		
	<u>1,231,054</u>	<u>1,291,816</u>		
Long-term				
Investments (note 5)	<u>476,878</u>	<u>513,232</u>		
Capital Assets				
	Cost	Accumulated Amortization		
Computers	\$ 169,482	\$ 159,143	10,339	11,815
Furniture and equipment	478,989	458,898	20,091	29,369
Motor vehicles	548,203	509,792	38,411	46,244
Leasehold improvements	<u>926,175</u>	<u>277,852</u>	<u>648,322</u>	<u>833,557</u>
	<u>\$ 2,122,849</u>	<u>\$ 1,405,685</u>	<u>717,163</u>	<u>920,985</u>
			<u>\$ 2,425,095</u>	<u>\$ 2,726,033</u>

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

**FOODSHARE TORONTO INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

	2017	2016
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 230,216	\$ 189,620
Deferred revenue (note 8)	<u>700,815</u>	<u>972,861</u>
	931,031	1,162,481
Long-term		
Deferred revenue related to capital assets (note 7)	<u>512,044</u>	<u>529,394</u>
	<u>1,443,075</u>	<u>1,691,875</u>
NET ASSETS		
Externally restricted (note 9)	1	100,000
Internally restricted for Food Forever Fund (note 9)	465,000	465,000
Unrestricted	<u>517,019</u>	<u>469,158</u>
	982,020	1,034,158
	\$ 2,425,095	\$ 2,726,033

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, 2017**

	Internally Restricted for Food Forever (note 9)	Endowment (note 9)	Unrestricted	2017	2016
BALANCE - beginning of year	\$ 465,000	\$ 100,000	\$ 469,158	\$ 1,034,158	\$ 874,581
Excess of revenue over expenses	-	(99,999)	47,861	(52,138)	159,577
BALANCE - end of year	\$ 465,000	\$ 1	\$ 517,019	\$ 982,020	\$ 1,034,158

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

**FOODSHARE TORONTO INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
CASH FLOWS FOR OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$(52,138)	\$ 159,577
Items not requiring an outlay of cash:		
Amortization of capital assets	218,208	269,259
Overprovision of asset retirement obligation	-	(57,262)
Interest yield-to-maturity	(12,201)	(10,105)
Grants related to capital assets	(160,067)	(248,458)
Impairment loss on investment	99,999	-
Loss on truck write-off	11,485	-
	<u>105,286</u>	<u>113,011</u>
Net changes in non-cash working capital:		
Accounts receivable	(33,655)	(14,709)
Grants receivable	26,023	202,740
Commodity tax receivable	83,275	(120,313)
Donation and other receivable	100,670	(50,383)
Inventory	(7,862)	7,511
Prepaid expenses and deposits	(339)	14,365
Accounts payable and accrued liabilities	40,597	10,534
Asset retirement obligation	-	(62,738)
Deferred revenue	(272,046)	46,987
	<u>41,949</u>	<u>147,005</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received related to capital assets	<u>142,717</u>	<u>578,211</u>
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES		
Purchase of capital assets	(25,872)	(974,261)
(Purchase) maturity of investment	(51,444)	101,465
	<u>(77,316)</u>	<u>(872,796)</u>
INCREASE (DECREASE) IN CASH	107,350	(147,580)
CASH - beginning of year	464,408	611,988
CASH - end of year	\$ 571,758	\$ 464,408

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

FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

(These notes form an integral part of the financial statements.)

FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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

(These notes form an integral part of the financial statements.)

FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

(These notes form an integral part of the financial statements.)

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. GRANTS

	2017	2016
Foundations	\$ 1,092,896	\$ 1,191,943
Toronto Foundation for Student Success	792,645	845,460
City of Toronto	439,861	542,511
United Way of Greater Toronto	304,712	304,716
Provincial Government	105,154	49,732
Federal Government	<u>54,850</u>	<u>10,151</u>
	<u>\$ 2,790,118</u>	<u>\$ 2,944,513</u>

Foundations grant income has been reported net of distributions to agencies of \$312,686 (2016: \$334,160). 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

	2017	2016
Good food boxes and bulk sales	\$ 2,363,360	\$ 2,351,694
Catering sales, Good Food Café and others	170,802	306,395
Urban Agriculture & School Grown	<u>31,271</u>	<u>26,382</u>
	<u>\$ 2,565,433</u>	<u>\$ 2,684,471</u>

(These notes form an integral part of the financial statements.)

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. INVESTMENTS

	2017	2016
Term deposits - bearing interest at rates between 1.60% and 2.25% and maturing between 2020 and 2021.	\$ 295,875	\$ 291,412
Guaranteed Investment Certificates - bearing interest at rates between 2.15% and 2.25% and maturing in 2020.	181,002	121,819
1,000 preference shares in TREC Windpower Co-operative Incorporated. (Windshare) (note 9)	1	100,000
	<u>\$ 476,878</u>	<u>\$ 513,231</u>

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

The term deposits are provided as security for the bank facilities 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 2.25% and 0.5% 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, 2017 and December 31, 2016, no amounts were drawn on these facilities.

(These notes form an integral part of the financial statements.)

**FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

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

	New Premises	Other Grants	2017	2016
Balance - beginning of year	\$ 459,153	\$ 70,241	\$ 529,394	\$ 199,641
Add: Amounts received during the year	48,793	93,924	142,717	578,211
Less: Amounts recognized as revenue	<u>(113,210)</u>	<u>(46,857)</u>	<u>(160,067)</u>	<u>(248,458)</u>
Balance - end of the year	<u>\$ 394,736</u>	<u>\$ 117,308</u>	<u>\$ 512,044</u>	<u>\$ 529,394</u>

New Premises

In 2016, 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.

(These notes form an integral part of the financial statements.)

FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

	2017	2016
Balance - beginning of year	\$ 972,861	\$ 925,874
Add: Amounts received during the year	2,161,740	2,619,102
Less: Amount recognized as revenue	<u>(2,433,786)</u>	<u>(2,572,115)</u>
Balance - end of the year	<u>\$ 700,815</u>	<u>\$ 972,861</u>

9. OTHER RESTRICTIONS ON NET ASSETS

Included in net assets is \$1 which is subject to a restriction imposed by the donor stipulating permanent investment in Windshare (note 5). Investment income from Windshare is unrestricted. During 2017, Windshare's financial statements indicated an issue with the company's ability to continue as a going concern. As a result an adjustment for impairment loss was made to reflect the fair value of the investment. The impairment loss recognized is \$99,999. This amount is a non-cash transaction and represents an accounting provision to reflect the amount by which the carrying value of the investment exceeds its fair value.

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.

(These notes form an integral part of the financial statements.)

FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

10. 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, 2017:

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.

(These notes form an integral part of the financial statements.)

FOODSHARE TORONTO INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

11. COMMITMENTS

The Organization has entered into an operating lease for its current premises expiring on February 28, 2021 and other leases for equipment. The future minimum lease payments required are as follows:

	Premises	Equipment
2018	\$ 113,207	\$ 14,956
2019	118,326	10,754
2020	123,745	6,552
2021	<u>20,775</u>	<u>3,276</u>
	<u>\$ 376,053</u>	<u>\$ 35,538</u>

12. COMPARATIVE FIGURES

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

(These notes form an integral part of the financial statements.)