

**SECOND HARVEST FOOD SUPPORT COMMITTEE**

**Financial Statements**

**August 31, 2019**

**SECOND HARVEST FOOD SUPPORT COMMITTEE**

**Index to Financial Statements**

**Year Ended August 31, 2019**

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

---

## INDEPENDENT AUDITOR'S REPORT

---

To the Members of Second Harvest Food Support Committee

### *Qualified Opinion*

We have audited the financial statements of Second Harvest Food Support Committee (the "Organization"), which comprise the statement of financial position as at August 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many charitable organizations, the Organization derives revenues from donations and fundraising, 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, and cash flows from operations for the year ended August 31, 2019, and current assets and net assets as at September 1, 2018 and August 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Other Matter*

The financial statements for the year end August 31, 2018 were audited by another accountant who issued a qualified opinion dated November 12, 2018. The qualified audit opinion was expressed on the matter disclosed in the *Basis for Qualified Opinion paragraph*.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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. In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization's financial reporting process.

(continues)

Independent Auditor's Report to the Members of Second Harvest Food Support Committee *(continued)*

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario  
November 11, 2019

*Hogg, Shain & Scheck PC*

Authorized to practise public accounting by the  
Chartered Professional Accountants of Ontario

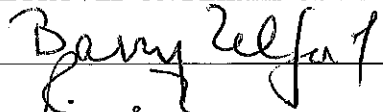

**SECOND HARVEST FOOD SUPPORT COMMITTEE**

**Statement of Financial Position**

**As at August 31, 2019**

	2019	2018
<b>ASSETS</b>		
<i>(Note 6)</i>		
<b>CURRENT</b>		
Cash <i>(Note 4)</i>	\$ 5,642,064	\$ 4,256,804
Short-term investments <i>(Notes 3 and 4)</i>	234,124	234,118
Accounts receivable	199,284	178,342
Prepaid expenses	109,974	73,743
	6,185,446	4,743,007
<b>CAPITAL ASSETS</b> <i>(Note 5)</i>	8,264,460	547,752
<b>DEPOSIT ON PURCHASE OF REAL PROPERTY</b> <i>(Note 5)</i>	-	350,000
	<b>\$ 14,449,906</b>	<b>\$ 5,640,759</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 556,755	\$ 466,695
Deferred contributions <i>(Notes 4 and 7)</i>	1,067,007	994,819
	1,623,762	1,461,514
<b>DEFERRED CAPITAL ASSET CONTRIBUTIONS</b> <i>(Note 8)</i>	11,013,147	2,751,600
	12,636,909	4,213,114
<b>NET ASSETS</b>		
<b>UNRESTRICTED</b>	1,812,997	1,427,645
	<b>\$ 14,449,906</b>	<b>\$ 5,640,759</b>
<b>COMMITMENTS</b> <i>(Note 10)</i>		

**APPROVED ON BEHALF OF THE BOARD**

 Director  
 Director

*See the accompanying notes to these financial statements*

**SECOND HARVEST FOOD SUPPORT COMMITTEE**

**Statement of Operations and Changes in Net Assets**

**Year Ended August 31, 2019**

	2019	2018
<b>REVENUES</b>		
Food donations <i>(Note 1)</i>	\$ 48,932,128	\$ 35,962,816
Fundraising <i>(Note 9)</i>	5,874,689	5,181,976
Grants	2,128,454	2,291,725
Harvest kitchens grants	288,918	284,858
Capital assets grant amortization <i>(Note 8)</i>	249,283	269,671
Contributed volunteer services <i>(Note 1)</i>	247,189	251,147
Interest and other	147,234	47,088
	<u>57,867,895</u>	<u>44,289,281</u>
<b>EXPENSES</b>		
Food recovery and delivery:		
Food donations delivered to agencies <i>(Note 1)</i>	48,932,128	35,962,816
Other food delivery related costs	2,203,614	1,931,015
Foodrescue.ca expansion costs <i>(Note 12)</i>	1,513,393	-
Communications and fundraising	1,822,748	1,529,325
Administration	1,065,955	951,495
Distribution platform development and pilot tests	654,794	1,717,896
Harvest kitchens - food and service delivery	520,828	487,422
Amortization of capital assets	328,925	284,201
Donated volunteer services <i>(Note 1)</i>	247,189	251,147
Food waste reduction research	192,969	594,271
	<u>57,482,543</u>	<u>43,709,588</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>385,352</b>	<b>579,693</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b><u>1,427,645</u></b>	<b><u>847,952</u></b>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 1,812,997</u></b>	<b><u>\$ 1,427,645</u></b>

*See the accompanying notes to these financial statements*

**SECOND HARVEST FOOD SUPPORT COMMITTEE**

**Statement of Cash Flows**

**Year Ended August 31, 2019**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 385,352	\$ 579,693
Items not affecting cash:		
Food donations	(48,932,128)	(35,962,816)
Food donations delivered to agencies	48,932,128	35,962,816
Contributed volunteer services	(247,189)	(251,147)
Donated volunteer services	247,189	251,147
Capital assets grant amortization	(249,283)	(269,671)
Amortization of capital assets	328,925	284,201
	<u>464,994</u>	<u>594,223</u>
Changes in non-cash working capital items:		
Accounts receivable	(20,942)	(77,449)
Prepaid expenses	(36,231)	(40,388)
Accounts payable and accrued liabilities	90,060	236,468
Deferred contributions	72,188	(841,725)
	<u>105,075</u>	<u>(723,094)</u>
Cash flows from (used by) operating activities	<u>570,069</u>	<u>(128,871)</u>
<b>INVESTING ACTIVITIES</b>		
(Increase) decrease in short-term investments	(6)	812,237
Purchase of capital assets	(7,695,633)	(570,802)
Cash flows from (used by) investing activities	<u>(7,695,639)</u>	<u>241,435</u>
<b>FINANCING ACTIVITY</b>		
Contributions received for capital asset purchases	<u>8,510,830</u>	<u>2,334,500</u>
<b>INCREASE IN CASH</b>	<b>1,385,260</b>	<b>2,447,064</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>4,256,804</b>	<b>1,809,740</b>
<b>CASH - END OF YEAR</b>	<b>\$ 5,642,064</b>	<b>\$ 4,256,804</b>

*See the accompanying notes to these financial statements*

## SECOND HARVEST FOOD SUPPORT COMMITTEE

### Notes to Financial Statements

Year Ended August 31, 2019

---

Second Harvest Food Support Committee (the "Organization") was incorporated without share capital as a not-for-profit organization under the laws of the Province of Ontario on April 18, 1985. The Organization has also been registered in the Province of British Columbia as an extraprovincial non-share corporation under the Societies Act on April 5, 2019. The primary purpose of the organization is to redistribute to other not-for-profit service groups perishable food collected from donors, while at the same time keeping useable food out of landfills and protecting atmosphere from GHG emissions that are contributing to climate change.

The Organization is a registered charity under the Income Tax Act (Canada) and, as such, it is exempt from income taxes and may issue receipts for charitable donations.

---

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

##### Revenue recognition

The Organization follows the deferral method of accounting for contributions, including grants, donations and fundraising revenues. Restricted contributions are recognized as revenues in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions explicitly and implicitly restricted by the donor are deferred when received and recognized as revenues when the related activity takes place and expenses are incurred.

Contributions received for the purchase of capital assets are initially deferred and then amortized as revenues on the same basis as the related capital assets are amortized.

##### Food donations and contributed volunteer services

Food donations are recognized as revenues and expenses when delivered to supported agencies. Effective for fiscal 2019, food donations are valued at an average price per pound based on specific estimates of the types of donated food received. The price per pound is based on Nielsen MarketTrack data for each specific type of food. The average price per pound for each category ranges from \$0.65 to \$4.97. This change in valuation policy resulted in an increase to 2018 food donations revenues and expenses of \$3,982,816. In 2019, approximately 15.6 million pounds of food were recovered and delivered to agencies (2018 - 12.3 million pounds).

Effective for fiscal 2019, contributed volunteers hours are recognized as services are provided. Volunteer services are valued at the minimum hourly wage per Ontario Living Wage Network (2018 - \$21.75). Approximately 11,365 hours were donated to the Organization during fiscal 2019 (2018 - 11,547 hours). This change in recognition policy resulted in an increase to contributed volunteer services revenues and expenses for 2018 of \$251,147.

##### Financial instruments

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

The financial assets subsequently measured at amortized cost include cash, short-term investments and accounts receivable. The financial liabilities measured at amortized cost include accounts payable.

*(continues)*

---



## SECOND HARVEST FOOD SUPPORT COMMITTEE

### Notes to Financial Statements

Year Ended August 31, 2019

---

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### Capital assets

Capital assets are stated at cost. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Delivery trucks	5 years	straight-line method
Furniture and equipment	3 years	straight-line method

The Organization regularly reviews its capital assets to eliminate obsolete items. The building acquired during the year has not amortized as the Organization is currently working on renovating it, therefore it has not been put in use.

##### Investments

The financial statements of Ontario Rescue Food Systems Inc., a not-for-profit organization controlled by the Organization, have not been consolidated in the Organization's financial statements and have been accounted for as an equity investment.

##### Expense recognition

Expenses for goods or services are recorded when incurred. Research undertaken with the prospect of developing a new distribution platform is recognized as an expense when it is incurred.

##### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates incorporated into the Organization's financial statements include estimated useful lives of capital assets and the specific quantities of donated food by type. These estimates are reviewed periodically and adjustments are made to revenues and expenses as appropriate in the year 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.

---

#### 2. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. It is management's opinion that the Organization is not exposed to significant credit, liquidity, market and other price risks or any significant concentrations of risk arising from its financial instruments.

---

#### 3. SHORT-TERM INVESTMENTS

Short-term investments are comprised of fixed rate guaranteed investment certificates with interest rates of 1.4% as issued by a Canadian chartered bank and trust company and mature within 1 year.

---

## SECOND HARVEST FOOD SUPPORT COMMITTEE

### Notes to Financial Statements

Year Ended August 31, 2019

#### 4. CASH AND SHORT-TERM INVESTMENTS

A portion of cash and short-term investments are externally restricted by funders as follows:

	2019	2018
Unrestricted cash and short-term investments	\$ 2,051,474	\$ 1,172,854
Restricted funds		
Distribution platform (Note 7)	845,305	836,598
Food delivery programs (Note 7)	221,702	158,221
Unspent capital contributions	2,757,707	2,323,249
Total cash and short-term investments	<u>\$ 5,876,188</u>	<u>\$ 4,490,922</u>

Distribution platform - restrictions require cash to be used for the enhancement of an online system that facilitates the exchange of food between registered businesses and non-profit or charitable organizations.

Contributions for food delivery programs restricted for specific purposes by the contributor that are unspent at the end of the fiscal year are recorded in deferred contributions.

Unspent capital contributions are funds designated for the purchase of trucks and renovations for the building purchased during the fiscal year.

#### 5. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 1,550,879	\$ -	\$ 1,550,879	\$ -
Building	6,143,900	-	6,143,900	-
Delivery trucks	1,707,596	1,177,822	529,774	427,047
Furniture and equipment	245,892	205,985	39,907	120,705
	<u>\$ 9,648,267</u>	<u>\$ 1,383,807</u>	<u>\$ 8,264,460</u>	<u>\$ 547,752</u>

During the fiscal year, the Organization completed the purchase of land and building at 120 The East Mall, Toronto. The Organization is currently renovating the building to accommodate their needs. No amortization has been taken on the building at August 31, 2019 as a result.

#### 6. CREDIT FACILITY

The Organization has a revolving operating line of credit of \$700,000, which bears interest at the bank prime rate plus 1%. It is secured by a general assignment of assets. At August 31, 2019, the balance of the operating line of credit is \$nil (2018 - \$nil).

In addition to the above operating line of credit, the Organization also has a credit facility for standby letters of credit to a maximum of \$78,878 of which \$33,949 was utilized at August 31, 2019. The credit amount bears interest at 1% per annum.

**SECOND HARVEST FOOD SUPPORT COMMITTEE**

**Notes to Financial Statements**

**Year Ended August 31, 2019**

**7. DEFERRED CONTRIBUTIONS**

	Distribution Platform	Food Delivery	2019	2018
Deferred contributions, beginning of year	\$ 836,598	\$ 158,221	\$ 994,819	\$ 1,836,544
Contributions received in the year	2,206,831	302,465	2,509,296	1,434,598
Contributions taken into revenues	(2,198,123)	(238,985)	(2,437,108)	(2,276,323)
Deferred contributions, end of year	<u>\$ 845,306</u>	<u>\$ 221,701</u>	<u>\$ 1,067,007</u>	<u>\$ 994,819</u>

**8. DEFERRED CAPITAL ASSETS CONTRIBUTIONS**

Deferred capital assets contributions include restricted funds received for delivery trucks, warehouse equipment, building improvements and the purchase of real property.

	2019	2018
Invested in capital assets	\$ 8,255,440	\$ 428,351
Unspent contributions restricted for capital purchases:		
Operations	128,700	323,249
Building improvement	2,629,007	-
Purchase of real property	-	2,000,000
	<u>\$ 11,013,147</u>	<u>\$ 2,751,600</u>

The continuity of deferred capital assets contributions for the year is as follows:

	2019	2018
Deferred capital assets contribution, beginning of year	\$ 2,751,600	\$ 686,771
Add: Capital assets contributions received	8,510,830	2,334,500
Less: Capital assets grant amortization	(249,283)	(269,671)
Deferred capital assets contribution, end of year	<u>\$ 11,013,147</u>	<u>\$ 2,751,600</u>

**9. FUNDRAISING**

Fundraising revenue recognized in the year were from the following sources:

	2019	2018
Donations		
Foundation	\$ 2,372,915	\$ 2,116,967
Individuals	1,180,913	1,140,160
Corporate	802,786	481,180
Campaigns	344,423	346,798
Third-party fundraising events	167,548	167,006
Toronto Taste event	1,006,104	929,865
	<u>\$ 5,874,689</u>	<u>\$ 5,181,976</u>

Campaign donations are collected during the Turkey and Hero Day drives. Third-party events are events run by local organizations where the designated recipient of the funds raised is Second Harvest.

## SECOND HARVEST FOOD SUPPORT COMMITTEE

### Notes to Financial Statements

Year Ended August 31, 2019

---

#### 10. COMMITMENTS

The Organization rents space under terms of a five year lease ending December 31, 2021. Future minimum lease payments as at August 31, 2019 are as follows:

Fiscal year: 2020	\$	166,869
2021		168,753
2022		56,251

---

#### 11. COST ALLOCATION

Certain staff and occupancy-related costs pertain to more than one function, and they have been allocated to communications and fundraising, food recovery and delivery, distribution platform and Harvest kitchens in the statement of operations. Staff time is allocated based on the time devoted to each of these functions. Occupancy-related costs are allocated based on the proportionate use of space or the activities in the department. These expenses have been allocated as follows:

	2019	2018
<b>Salaries and benefits</b>		
Communications and fundraising	\$ 833,870	\$ 803,903
Food recovery and delivery	200,886	151,637
Harvest kitchens	137,260	124,414
Distribution platform	50,036	65,587
	<u>\$ 1,222,052</u>	<u>\$ 1,145,541</u>
<b>General expenses</b>		
Distribution platform	\$ 243,295	\$ 68,860
Harvest kitchens	133,556	127,212
Food recovery and delivery	130,194	87,769
	<u>\$ 507,045</u>	<u>\$ 283,841</u>

---

#### 12. FOODRESCUE.CA EXPANSION

The primary purpose of Foodrescue.ca is to expand use of a web-based distribution platform developed by the Organization to match food donors with their social service organizations in their communities.

During the year, \$1,513,393 of expenses were incurred with the launch of Foodrescue.ca in Ontario and British Columbia. These amounts are included in Foodrescue.ca expansion costs on the Statement of Operations.

---

#### 13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

---