

***KAWARTHA FOOD SHARE***

**AUDITED FINANCIAL STATEMENTS**

**AT DECEMBER 31, 2014**

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**TABLE OF CONTENTS**

	<b><u>Page Number</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	1
Statement of Changes in Fund Balances	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 8

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of Kawartha Food Share**

***Report on the Financial Statements***

I have audited the accompanying financial statements of Kawartha Food Share which comprises the statement of financial position as at December 31, 2014 and the statements of changes in fund balances, operations 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.

***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based upon my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 judgement, 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 entity'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 entity'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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

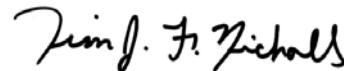
***Basis for Qualified Opinion***

In common with many charitable organizations, Kawartha Food Share derives revenue from donations and fundraising, as well as receiving and distributing food donation, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues and the food distribution expense was limited to the amounts recorded in the records of the organization. I was not able to determine whether any adjustments might be necessary to revenue, expense, excess of revenue over expense and fund balances.

***Qualified Opinion***

In my 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 Kawartha Food Share as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Peterborough, Ontario  
October 21, 2015



Tim J.F. Nicholls CPA, CA  
Licensed Public Accountant

**KAWARTHA FOOD SHARE****STATEMENT OF FINANCIAL POSITION  
As At December 31, 2014**

	2014 \$	2013 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	379,296	434,041
Accounts receivable - Note 3	15,969	9,055
Prepaid expenses	21,449	10,294
	416,714	453,390
<b>Capital - Note 4</b>	95,565	41,010
<b>Other</b>	895	895
	513,174	495,295
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities - Note 5	40,898	19,619
<b>Long-Term Liabilities</b>		
Deferred contributions related to capital assets - Note 6	63,050	960
<b>Fund Balances</b>		
Original start-up contributions	1,500	1,500
Internally restricted - Note 7	259,827	259,827
Net assets invested in capital assets	32,515	40,050
Unrestricted	115,384	173,339
	409,226	474,716
	513,174	495,295

**Approved on behalf of the Board:**

\_\_\_\_\_, Director

\_\_\_\_\_, Director

*The accompanying notes are an integral part of the financial statements.*

**KAWARTHA FOOD SHARE****STATEMENT OF CHANGES IN FUND BALANCES**  
For The Year Ended December 31, 2014

	Original Start-Up Contributions \$	Internally Restricted \$	Invested In Capital Assets \$	Unrestricted \$	Total 2014 \$	Total 2013 \$
<b>Balance, beginning of year</b>	1,500	259,827	40,050	173,339	474,716	438,132
Excess (deficiency) of revenue over expenditures for the year	-	-	(19,134)	(46,356)	(65,490)	36,584
Investment in capital assets	-	-	11,599	(11,599)	-	-
<b>Balance, end of year</b>	1,500	259,827	32,515	115,384	409,226	474,716

*The accompany notes are an integral part of the financial statements.*

**KAWARTHA FOOD SHARE****STATEMENT OF OPERATIONS**

For The Year Ended December 31, 2014

	2014 \$	2013 \$
<b>Revenue</b>		
City of Peterborough	89,839	68,466
Grants	89,055	75,000
Program income	16,416	19,359
Donations - Note 8	284,715	310,582
Interest income	2,454	2,694
Other income - Note 9	14,645,636	10,760,759
Amortization of deferred contributions - Note 6	7,610	1,490
<b>Total Revenue</b>	<b>15,135,725</b>	<b>11,238,350</b>
<b>Expenditures</b>		
<b>Operations</b>		
Food purchases and freight - Note 8	147,850	115,771
Non-purchased food distributed - Note 9	14,607,995	10,722,525
Occupancy costs	155,921	132,109
Property improvements	2,518	1,193
Rental equipment	4,431	4,092
Vehicle lease, fuel and maintenance	10,143	7,869
Loss on disposal of vehicle	-	415
Poverty alleviation	9,845	6,774
United Way donation	300	2,500
	14,939,003	10,993,248
<b>Payroll expenses</b>		
Wages and salaries	168,366	142,483
Employee benefits	13,498	12,684
	181,864	155,167
<b>General and administrative expenses</b>		
Telephone, fax and internet	3,657	3,003
Materials and supplies	3,274	684
Office expenses	21,112	15,639
Professional fees	9,780	6,642
Insurance	5,079	5,360
Fundraising expenses	5,915	7,838
Professional development	3,808	1,637
Memberships	979	937
	53,604	41,740
<b>Amortization of capital assets</b>	<b>26,744</b>	<b>11,611</b>
<b>Total Expenditures</b>	<b>15,201,215</b>	<b>11,201,766</b>
<b>Excess (Deficiency) of Revenue Over Expenditures For The Year</b>	<b>(65,490)</b>	<b>36,584</b>

The accompanying notes are an integral part of the financial statements.

**KAWARTHA FOOD SHARE****STATEMENT OF CASH FLOWS**

For The Year Ended December 31, 2014

	2014 \$	2013 \$
<b>CASH PROVIDED BY (USED IN)</b>		
<b>Operating Activities</b>		
Excess (deficiency) of revenue over expenditures for the year	(65,490)	36,584
Amortization of deferred contributions	(7,610)	(1,490)
Amortization of capital assets	26,744	11,611
Loss on disposal of capital assets	-	415
Deferred contributions received	69,700	-
Changes in non-cash working capital accounts		
Accounts receivable	(6,914)	(1,975)
Prepaid expenses	(11,155)	(4,422)
Accounts payable and accrued liabilities	21,279	3,815
	26,554	44,538
<b>Investing Activities</b>		
Purchase of capital assets	(81,299)	(38,211)
Proceeds on disposal of capital assets	-	7,400
	(81,299)	(30,811)
<b>Increase (Decrease) In Cash During The Year</b>	(54,745)	13,727
<b>Cash, Beginning of Year</b>	434,041	420,314
<b>Cash, End of Year</b>	379,296	434,041

*The accompanying notes are an integral part of the financial statements.*

## **KAWARTHA FOOD SHARE**

### **NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2014**

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#### **NOTE 1: PURPOSE OF ORGANIZATION**

The organization was incorporated without share capital by Letters Patent on July 28, 1998 to be carried on without the purpose of gain for its members and any profits or other accretions to the corporation shall be used in promoting its objects. The organization is subject to the Charities Accounting Act and the Charitable Gifts Act. The purpose of the organization is to coordinate the collection and distribution of foodstuff without charge to emergency food distributors and programs in the County of Peterborough, the corporation is a registered charity under the Canadian Income Tax Act.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Presentation***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFPO").

Kawartha Food Share uses the deferral method of accounting.

##### ***Realization of Revenues and Expenses***

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 can be reasonably estimated and collection is reasonably assured.

##### ***Capital Assets***

The organization records purchased capital assets at their acquisition cost. Amortization is based on their estimated useful lives by annual charges to operations at the following rates:

Leasehold improvements	-	straight-line basis over the term of the lease
Furniture and equipment	-	5 years straight-line basis
Computer hardware	-	3 years straight-line basis
Vehicles	-	5 years straight-line basis

One-half of annual amortization is charged on net assets acquired during the year.

##### ***Contributed Materials and Services***

The organization recognizes contributed materials when a fair value can be reasonably estimated and the materials are used in the normal course of operations.

Volunteers contribute significant amounts of time each year to assist the organization in carrying out its service delivery activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

##### ***Income Taxes***

The organization is a non-profit organization as defined by the Federal and Ontario Income Tax Acts and, as such, is not subject to Federal and Provincial income taxes.



**KAWARTHA FOOD SHARE****NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended December 31, 2014****NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)*****Use of Accounting Estimates***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

**NOTE 3: ACCOUNTS RECEIVABLE**

The accounts receivable is shown net of an allowance for doubtful accounts of \$nil (2013 - \$nil).

**NOTE 4: CAPITAL ASSETS**

	Cost \$	Accumulated Amortization \$	Net Book Value	
			2014 \$	2013 \$
Leasehold improvements	24,593	22,865	1,728	2,222
Furniture and equipment	169,366	97,695	71,671	9,741
Computer hardware	4,745	4,745	-	-
Vehicles	55,380	33,214	22,166	29,047
	254,084	158,519	95,565	41,010

**NOTE 5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities includes payroll and sales tax remittances of \$13,793 (2013 - \$1,687).

**KAWARTHA FOOD SHARE****NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended December 31, 2014****NOTE 6: DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS**

Deferred contributions related to capital assets consists of the unamortized portion of grants received for the purchase of capital assets.

The changes for the year in the deferred contributions related to capital assets are as follows:

	2014 \$	2013 \$
Balance, beginning of year	960	2,450
Funded capital asset additions	69,700	-
Amount amortized to revenue	(7,610)	(1,490)
Balance, end of year	63,050	960

**NOTE 7: INTERNALLY RESTRICTED FUND BALANCE**

On September 19, 2007, the Board passed a motion to create internally restricted reserve accounts to increase the financial security and stability in the organization. These reserves are to be used only under emergency or extraordinary conditions. Kawartha Food Share may not use these internally restricted amounts for any other purpose without the approval of the Board of Directors.

The balance in the reserve accounts are as follows:

	2014 \$	2013 \$
Food Reserve	42,940	42,940
Administration/Operations Reserve	42,900	42,900
Capital Reserve	47,000	47,000
Donations Reserve	126,987	126,987
	259,827	259,827

## **KAWARTHA FOOD SHARE**

### **NOTES TO THE FINANCIAL STATEMENTS For The Year Ended December 31, 2014**

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#### **NOTE 8: GIFTS IN KIND**

During the year, the organization received specific food donations from food suppliers. Where costing amounts for the purposes of issuing charitable donation receipts were obtained, such amounts were included in the statement of operations as donation revenue, with an equivalent amount in food purchases. For 2014, the amount totalled \$19,937 (2013 - \$16,509).

#### **NOTE 9: FOOD DONATED AND DISTRIBUTED**

Effective January 1, 2009, the organization decided to record the value of food donations received and distributed, in addition to food donations that were receipted using charitable donations receipts as noted in Note 8: Gifts In Kind. The amount included in revenue will equal the amount included in expenditures so there is no effect on prior year excess of revenue over expenditures nor the fund balances.

The value of the food is based upon the weight of the food distributed valued at \$2.50 per pound, which is the standard method used by Ontario's food banks.

For the 2014 year, \$14,607,995 (2013 - \$10,722,525) is included in Other Income, representing the value of the food donated that was not receipted for income tax purposes.

#### **NOTE 10: LEASE COMMITMENT**

Kawartha Food Share rents its premises pursuant to two operating leases. The main lease is for a five year term of five years from March 1, 2013 to February 28, 2018. The rent is \$50,000 per annum, payable in monthly instalments of \$4,167 plus HST. The organization is also responsible of its proportional share of common area costs which are currently estimated at \$1,500 per month plus HST. The second lease commenced on February 1, 2013 and has a one year term with the option to extend the term to September 30, 2016. The monthly lease cost is \$2,812 plus HST.

#### **NOTE 11: COMPARATIVE BALANCES**

Certain comparative balances have been reclassified to conform to the presentation adopted in the current year.

#### **NOTE 12: FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

##### ***Liquidity Risk***

Liquidity risk is the risk that the organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the organization's cash requirements. Additional cash requirements are met with the use of the existing cash reserves.