

FOOD SECURE CANADA
FINANCIAL STATEMENTS
AUGUST 31, 2014

SUMMARY

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
FOOD SECURE CANADA

We have audited the accompanying financial statements of FOOD SECURE CANADA Organization, which comprise the balance sheet as at August 31, 2014, and the statements of income, changes in net assets and cash flow 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

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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FOOD SECURE CANADA Organization as at August 31, 2014, 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.

*Daguerre Lapierre Simard et Associé SENCRL*¹

Montreal, March 27, 2015

¹ By Robert Schanck, CPA auditor, CA

FOOD SECURE CANADA
STATEMENT OF INCOME
FOR THE YEAR ENDED AUGUST 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|------------------|
| REVENUES | | |
| Grants (Schedule A) | \$ 96,267 | \$ 178,914 |
| Partnership (Schedule B) | 308,721 | 153,500 |
| Donations | 13,550 | 17,371 |
| Memberships | 44,299 | 43,535 |
| Sponsorships | 18,950 | 43,810 |
| Assembly registration | 8,935 | 57,945 |
| Other revenues | <u>1,531</u> | <u>3,719</u> |
| | <u>492,253</u> | <u>498,794</u> |
| EXPENSES | | |
| Assembly | 58,160 | 181,382 |
| Network activities | 199,062 | 96,148 |
| Campaigns and outreach | 100,474 | 97,312 |
| Organizational development and governance | 24,044 | 26,709 |
| Professional fees | 19,898 | 9,691 |
| Overhead | 90,803 | 70,791 |
| Amortization of long-term assets | <u>4,013</u> | <u>568</u> |
| | <u>496,454</u> | <u>482,601</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>\$ (4,201)</u> | <u>\$ 16,193</u> |

FOOD SECURE CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2014

| | Invested in long-term assets | Unrestricted | 2014 Total | 2013 Total |
|--|---|---------------------|-----------------------|-----------------------|
| BALANCE, BEGINNING OF YEAR | \$ 15,818 | \$ 26,521 | \$ 42,339 | \$ 26,146 |
| Excess (deficiency) of revenues over expenses | (4,013) | (188) | (4,201) | 16,193 |
| Investment in capital assets | <u>19,076</u> | <u>(19,076)</u> | <u>-</u> | <u>-</u> |
| BALANCE, END OF YEAR | <u>\$ 30,881</u> | <u>\$ 7,257</u> | <u>\$ 38,138</u> | <u>\$ 42,339</u> |

FOOD SECURE CANADA
BALANCE SHEET
AS AT AUGUST 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 158,155 | \$ 155,593 |
| Temporary investments (note 3) | 5,000 | 30,000 |
| Accounts receivable | 31,956 | 2,500 |
| Grants to be received | <u>25,238</u> | <u>21,619</u> |
| | 220,349 | 209,712 |
| CAPITAL ASSETS (note 4) | 3,164 | 2,268 |
| INTANGIBLE ASSETS (note 5) | <u>27,717</u> | <u>13,550</u> |
| | <u>\$ 251,230</u> | <u>\$ 225,530</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable (note 6) | \$ 61,753 | \$ 26,691 |
| Deferred partnership income (notes 7 and 8) | 120,076 | 156,500 |
| Deferred contributions (notes 9 and 10) | 11,333 | - |
| Deferred assembly revenues (note 11) | <u>19,930</u> | <u>-</u> |
| | <u>213,092</u> | <u>183,191</u> |
| NET ASSETS | | |
| INVESTED IN LONG-TERM ASSETS | 30,881 | 15,818 |
| UNRESTRICTED | <u>7,257</u> | <u>26,521</u> |
| | <u>38,138</u> | <u>42,339</u> |
| | <u>\$ 251,230</u> | <u>\$ 225,530</u> |

ON BEHALF OF THE BOARD,

_____, Director

_____, Director

FOOD SECURE CANADA
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED AUGUST 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | \$ (4,201) | \$ 16,193 |
| Non-cash item: | | |
| Amortization of long-term assets | <u>4,013</u> | <u>568</u> |
| | (188) | 16,761 |
| Net change in non-cash working capital items: | | |
| Accounts receivable | (29,456) | (2,500) |
| Prepaid expenses | - | 10,000 |
| Grants to be received | (3,619) | (75) |
| Accounts payable | 35,062 | 6,885 |
| Deferred partnership income | (36,424) | - |
| Deferred contributions | 11,333 | 81,500 |
| Deferred assembly revenues | <u>19,930</u> | <u>(7,500)</u> |
| | <u>(3,362)</u> | <u>105,071</u> |
| INVESTING ACTIVITIES | | |
| Cashed term deposit | 30,000 | 70,000 |
| Acquisition of term deposit | (5,000) | (100,000) |
| Acquisition of intangible assets | (17,247) | (13,550) |
| Acquisition of capital assets | <u>(1,829)</u> | <u>(2,836)</u> |
| | <u>5,924</u> | <u>(46,386)</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 2,562 | 58,685 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>155,593</u> | <u>96,908</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 158,155</u> | <u>\$ 155,593</u> |

Cash and cash equivalents consist of cash.

FOOD SECURE CANADA

NOTES TO FINANCIAL STATEMENTS

AS AT AUGUST 31, 2014

1. STATUS AND PURPOSE OF THE ORGANIZATION

Food Secure Canada incorporated as a not-for-profit organization under the Canada Corporations Act in October 2006. Food Secure Canada is a Canada-wide alliance of civil society organizations and individuals collaborating to advance dialogue and cooperation for policies and programs that improve food security and food sovereignty in Canada and globally.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization applies the Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

The most significant estimates relate to the accrued liabilities and the useful life of capital assets.

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.

Other revenues are recognized as revenue when the service is rendered.

Contributed services and material

Volunteers contribute an amount of their time each year. Because of the difficulty of determining their fair value, these hours are not recognized in these financial statements.

Cash and cash equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and temporary investments with a maturity period of three months or less from the date of acquisition. Temporary investments that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

FOOD SECURE CANADA
NOTES TO FINANCIAL STATEMENTS
AS AT AUGUST 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include trade accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Organization determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, 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 earnings.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated using the straight-line method at the rate of 20%.

Intangible assets

Intangible assets are accounted for at cost. Amortization is calculated on its estimated useful life using the straight-line method at the rate of 20%.

Allocation of expenses

The Organization records a number of its expenses by function: Assembly, Network activities, Campaigns and outreach, Organizational development and governance, and Overhead.

FOOD SECURE CANADA
NOTES TO FINANCIAL STATEMENTS
AS AT AUGUST 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of expenses (continued)

Personnel are allocated on the following basis : proportionally by the estimated hours worked for each function.

3. TEMPORARY INVESTMENTS

| | <u>2014</u> | <u>2013</u> |
|--|-----------------|------------------|
| One year non-redeemable investment, 1,3%, maturing in May 2015 | \$ <u>5,000</u> | \$ <u>30,000</u> |

4. CAPITAL ASSETS

| | <u>2014</u> | | <u>2013</u> | |
|--------------------|-----------------|---------------------------------|-----------------------|-----------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Net book value</u> | <u>Net book value</u> |
| Computer equipment | \$ <u>4,665</u> | \$ <u>1,501</u> | \$ <u>3,164</u> | \$ <u>2,268</u> |

5. INTANGIBLE ASSETS

| | <u>2014</u> | | <u>2013</u> | |
|---------|------------------|---------------------------------|-----------------------|-----------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Net book value</u> | <u>Net book value</u> |
| Website | \$ <u>30,797</u> | \$ <u>3,080</u> | \$ <u>27,717</u> | \$ <u>13,550</u> |

6. ACCOUNTS PAYABLE

| | <u>2014</u> | <u>2013</u> |
|------------------------|------------------|------------------|
| Trade accounts payable | \$ 5,278 | \$ 2,583 |
| Due wages | 17,061 | 5,799 |
| Sales tax payable | <u>39,414</u> | <u>18,309</u> |
| | \$ <u>61,753</u> | \$ <u>26,691</u> |

FOOD SECURE CANADA
NOTES TO FINANCIAL STATEMENTS
AS AT AUGUST 31, 2014

7. DEFERRED PARTNERSHIP INCOME

The deferred partnership income from the J.W. McConnell Family Foundation represents unrendered services for which the organization has already been paid during the year. The amount shall be considered as income when services will be rendered. Changes in deferred partnership income are:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Opening balance | \$ 156,500 | \$ 75,000 |
| Less: amount recognized as revenue in the year | (156,500) | (75,000) |
| Plus: amount received related to the following year | <u>120,076</u> | <u>156,500</u> |
| Closing balance | <u>\$ 120,076</u> | <u>\$ 156,500</u> |

8. ALLOCATION OF DEFERRED PARTNERSHIP INCOME

Deferred partnership income from the J.W. McConnell Family Foundation was allocated as follows:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Sustainable local network | \$ 70,000 | \$ 75,000 |
| Learning networks in the food movement | 30,000 | 45,000 |
| Convening | - | 12,000 |
| Web development | - | 20,000 |
| Evaluation | - | 4,500 |
| Institutional Food Program | <u>20,076</u> | <u>-</u> |
| Amount received related to the following year | <u>\$ 120,076</u> | <u>\$ 156,500</u> |

9. DEFERRED CONTRIBUTIONS

The deferred contributions represent unused resources received during the year for specific activities. The amount shall be considered as income in the following year. Changes in deferred contributions are:

FOOD SECURE CANADA
NOTES TO FINANCIAL STATEMENTS
AS AT AUGUST 31, 2014

9. DEFERRED CONTRIBUTIONS (continued)

| | <u>2014</u> | <u>2013</u> |
|---|------------------|-------------|
| Opening balance | \$ - | \$ - |
| Plus: amount received related to the following year | <u>11,333</u> | <u>-</u> |
| Closing balance | <u>\$ 11,333</u> | <u>\$ -</u> |

10. ALLOCATION OF DEFERRED CONTRIBUTIONS

Deferred contributions were allocated as follows:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|-------------|
| Paying for Nutrition | \$ 7,290 | \$ - |
| Assistance for Interpretation and Translation | <u>4,043</u> | <u>-</u> |
| Amount received related to the following year | <u>\$ 11,333</u> | <u>\$ -</u> |

11. DEFERRED ASSEMBLY REVENUES

The other deferred income represents unrendered services for which the organization has already been paid during the year. The amount shall be considered as income when services will be rendered. Changes in other deferred income are:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|-------------|
| Opening balance | \$ - | \$ - |
| Plus: amount received related to the following year | <u>19,930</u> | <u>-</u> |
| Closing balance | <u>\$ 19,930</u> | <u>\$ -</u> |

FOOD SECURE CANADA
NOTES TO FINANCIAL STATEMENTS
AS AT AUGUST 31, 2014

12. ALLOCATION OF PERSONNEL COSTS BY FUNCTION

Personnel costs were allocated as follows:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Network activities | \$ 133,738 | \$ 83,391 |
| Campaigns and outreach | 75,374 | 73,181 |
| Overhead | 63,200 | 46,114 |
| Organizational development and governance | 14,334 | 22,998 |
| Assembly | <u>53,002</u> | <u>34,299</u> |
| | <u>\$ 339,648</u> | <u>\$ 259,983</u> |

13. FINANCIAL INSTRUMENTS

Risk and concentrations

The Organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the Organization's risk exposure as at August 31, 2014.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Organization provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for contingent credit losses which, once they materialize, are consistent with management's forecasts. The Organization does not normally require a guarantee.

The Organization is exposed to credit risk through its cash, and temporary investments in excess of deposit insurance are kept in the same recognized financial institution.

FOOD SECURE CANADA
NOTES TO FINANCIAL STATEMENTS
AS AT AUGUST 31, 2014

13. FINANCIAL INSTRUMENTS (continued)

For the other receivables, the Organization determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed-interest rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates.

Risk exposure change

Since last year, the Organization's risk exposure hasn't changed.

14. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to make their presentation identical to that adopted in 2014.

FOOD SECURE CANADA
ADDITIONAL INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| SCHEDULE A | | |
| GRANTS | | |
| Inter Pares | \$ 35,000 | \$ 45,500 |
| Silver Dollar Foundation | - | 20,000 |
| Government | 28,652 | 90,401 |
| Internships | <u>32,615</u> | <u>23,013</u> |
| | <u>\$ 96,267</u> | <u>\$ 178,914</u> |
| SCHEDULE B | | |
| PARTNERSHIP | | |
| Partnership - The J.W. McConnell Family Foundation | <u>\$ 308,721</u> | <u>\$ 153,500</u> |