
**COMMUNITY FOOD CENTRES
CANADA**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members,
Community Food Centres Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Community Food Centres Canada, which comprise the statement of financial position as at December 31, 2013, and the statements of operations and 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.

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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue 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 donation and fundraising revenue, excess of revenue over expenses for the year, assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donation and fundraising revenue, the financial statements present fairly, in all material respects, the financial position of Community Food Centres Canada as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

March 27, 2014
Toronto, Ontario

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash	\$ 2,021,648	\$ 306,927
Marketable securities (note 3)	264,930	226,000
Accounts receivable	4,491	22,412
HST recoverable	24,085	1,181
Advance to affiliate Community Food Centres (note 6)	94,809	
Prepaid expenses	<u>8,649</u>	<u>6,893</u>
	<u>\$ 2,418,612</u>	<u>\$ 563,413</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,150	\$ 22,340
Deferred revenue (note 5)	<u>2,112,580</u>	<u>510,000</u>
	<u>2,129,730</u>	<u>532,340</u>
Net assets		
Unrestricted	<u>288,882</u>	<u>31,073</u>
	<u>\$ 2,418,612</u>	<u>\$ 563,413</u>

Approved on behalf of the Board:

 Director

 Director

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

(with comparative amounts for the period August 28, 2012 to December 31, 2012)

	2013	2012
REVENUE		
Foundations	\$ 997,116	\$ 37,128
Government	484,092	
Corporations	359,685	
Individuals	237,213	33,421
Interest	8,009	
Other	5,048	
	<u>2,091,163</u>	<u>70,549</u>
EXPENSES		
Program		
Affiliate Community Food Centres	908,213	6,331
Personnel	446,701	
Communications	61,449	642
Purchased services	51,114	
Evaluation	36,476	3,770
Knowledge exchange	32,053	1,154
Travel	29,158	
Administrative		
Personnel	52,894	3,558
Office and general	50,145	5,388
Occupancy	49,481	13,817
Purchased services	4,138	4,816
Fundraising		
Personnel	95,352	
Stewardship	16,180	
	<u>1,833,354</u>	<u>39,476</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	257,809	31,073
Net assets, beginning of year	<u>31,073</u>	<u>nil</u>
NET ASSETS, END OF YEAR	<u>\$ 288,882</u>	<u>\$ 31,073</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

(with comparative amounts for the period August 28, 2012 to December 31, 2012)

	2013	2012
OPERATIONS		
Excess of revenue over expenses for the year	\$ 257,809	\$ 31,073
Net change in non-cash working capital items (see below)	<u>1,495,842</u>	<u>501,854</u>
Net cash generated from operations	1,753,651	532,927
INVESTING ACTIVITIES		
Marketable securities purchased	<u>(38,930)</u>	<u>(226,000)</u>
NET CASH GENERATED IN THE YEAR	1,714,721	306,927
Cash, beginning of year	<u>306,927</u>	<u>nil</u>
CASH, END OF YEAR	<u>\$ 2,021,648</u>	<u>\$ 306,927</u>
 Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Accounts receivable	\$ 17,921	\$ (22,412)
Advance to affiliate Community Food Centres	(94,809)	
Prepaid expenses	(1,756)	(6,893)
HST recoverable	(22,904)	(1,181)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(5,190)	22,340
Deferred revenue	<u>1,602,580</u>	<u>510,000</u>
	<u>\$ 1,495,842</u>	<u>\$ 501,854</u>
 Interest received in year	 <u>\$ 8,009</u>	 <u>\$ nil</u>

see accompanying notes

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. THE ORGANIZATION

Community Food Centres Canada (the "organization") was incorporated on December 21, 2011 as a not-for-profit organization without share capital under the provisions of the Canada Not-for-profit Corporations Act (NFP Act). The organization commenced operations on August 28, 2012 and received charitable status on that date. There was no financial activity in the organization from the date of incorporation to August 27, 2012. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

Community Food Centres Canada provides resources and a proven approach to partner organizations across Canada to create Community Food Centres that bring people together to grow, cook, share, and advocate for good food. The organization also works with the broader food movement to build greater capacity for impact and to empower communities to work toward a healthy and fair food system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Marketable securities

The organization carries guaranteed investment certificates at cost plus accrued interest income which approximates fair market value. Equities are recorded at fair market value. Fair market values are determined by reference to published price quotations in an active market at year end.

Revenue recognition

The organization follows the deferral method of revenue recognition. Under the deferral method, amounts received in the year for expenses to be incurred in the following year are recorded as deferred revenue. The organization's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Unrestricted grants and donations are recognized as revenue when they are received. Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred. Pledges are not recorded as revenue. Contributed materials and services which are normally purchased by the organization are not recorded in the accounts.
- ii) Investment income, including interest and dividends, is recognized as revenue when earned. Realized and unrealized gains and losses on marketable securities are recognized as revenue in the period in which they occur. Realized and unrealized gains and losses, are recorded as revenue in the statement of revenue and expenses. Transactions are recorded on a settlement/trade date basis and transaction costs are expensed as incurred.

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

3. MARKETABLE SECURITIES

Marketable securities at December 31 at market value were as follows:

	2013	2012
Guaranteed investment certificates	\$ 236,795	\$ 226,000
Equities	<u>28,135</u>	<u> </u>
	<u>\$ 264,930</u>	<u>\$ 226,000</u>

Marketable securities include guaranteed investment certificates which are issued by major Canadian chartered banks and bear interest rates ranging 0.80% to 1.90% established by contract.

4. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The organization's financial instruments include cash, guaranteed investment certificates, grants receivable and accounts payable and accrued liabilities. The following are those financial instruments and related financial risks considered particularly significant:

- i) The organization minimizes the likelihood of uncollected revenue by regularly monitoring accounts receivable.
- ii) Fluctuations in market interest rates do not affect future cash flows from the entity's fixed rate guaranteed investment certificates.
- iii) Existing cash balances and cash flows generated from operations are sufficient to meet the organization's financial liabilities.

It is management's opinion that the organization's financial instruments are not exposed to significant financial risks.

5. DEFERRED REVENUE

Deferred revenue comprises amounts received from the following sources:

Foundations	\$ 1,360,974	\$ 200,000
Individuals	453,135	210,000
Corporations	183,729	100,000
Government	<u>114,742</u>	<u> </u>
Deferred revenue, end of period	<u>\$ 2,112,580</u>	<u>\$ 510,000</u>

Continuity of deferred revenue for the period is as follows:

Deferred revenue, beginning of period	\$ 510,000	\$ nil
Add cash received from grants	2,086,672	510,000
Less grant revenue recognized	<u>(484,092)</u>	<u> </u>
Deferred revenue, end of period	<u>\$ 2,112,580</u>	<u>\$ 510,000</u>

COMMUNITY FOOD CENTRES CANADA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

6. AFFILIATE COMMUNITY FOOD CENTRES

A core aspect of the organization's mission is to create affiliate Community Food Centres across Canada that operate as independent organizations.

During the year, the organization paid \$908,213 to affiliate Community Food Centres to fund their program expenditures (\$6,331 paid in 2012). In December 2013, the organization advanced \$94,809 to affiliate Community Food Centres for program expenditures to be incurred in fiscal 2014.