

**THE STOP COMMUNITY FOOD CENTRE**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2011**

# THE STOP COMMUNITY FOOD CENTRE

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AUGUST 31, 2011

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**GLEN R. DAVISON, CA, CFP**  
**AUDITOR'S REPORT**

To the Members,  
**THE STOP COMMUNITY FOOD CENTRE**

I have audited the accompanying financial statements of **THE STOP COMMUNITY FOOD CENTRE** which comprise the balance sheet as at August 31, 2011 the statements of operations, statement of changes in fund balances and statement of 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 generally accepted accounting principles 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 on 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 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.

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

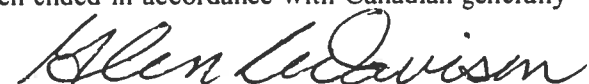
**Basis for Modified Report**

In common with many charitable organizations, the organization derives revenue from donations and social enterprise the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and general fund balance.

**Opinion**

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the revenues from donations and social enterprise referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2011, the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
November 9, 2011

  
CHARTERED ACCOUNTANT  
LICENSED PUBLIC ACCOUNTANT

**THE STOP COMMUNITY FOOD CENTRE**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2011**

ASSETS	2011				2010
	Operating	Invested in Capital Assets	Capacity Building	Total	Total
<b>CURRENT</b>					
Cash and term deposits	\$ 2,035,733	\$ -	\$ 116,588	\$ 2,152,321	\$ 1,393,626
Miscellaneous receivables	132,476	-	-	132,476	54,642
Prepaid expenses	37,735	-	-	37,735	27,445
	2,205,944	-	116,588	2,322,532	1,475,713
<b>CAPITAL (Note 3)</b>	-	1,082,800	-	1,082,800	1,458,137
	<u>\$ 2,205,944</u>	<u>\$ 1,082,800</u>	<u>\$ 116,588</u>	<u>\$ 3,405,332</u>	<u>\$ 2,933,850</u>

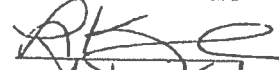

**LIABILITIES**

<b>CURRENT</b>					
Accounts payable and accruals	\$ 179,770	\$ -	\$ -	\$ 179,770	\$ 190,987
Deferred income (Note 4)	1,740,030	1,062,226	-	2,802,256	2,395,418
	1,919,800	1,062,226	-	2,982,026	2,586,405

**FUND BALANCES**

OPERATING FUND	286,144	-	-	286,144	220,832
INVESTED IN CAPITAL ASSETS	-	20,574	-	20,574	10,025
CAPACITY BUILDING FUND	-	-	116,588	116,588	116,588
	286,144	20,574	116,588	423,306	347,445
	<u>\$ 2,205,944</u>	<u>\$ 1,082,800</u>	<u>\$ 116,588</u>	<u>\$ 3,405,332</u>	<u>\$ 2,933,850</u>

On behalf of the Board

 Director  
 Director

The accompanying notes are an integral part of these financial statements

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**THE STOP COMMUNITY FOOD CENTRE**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

Assets	2011			2010
	Operating	Invested In Capital Assets	Total	Total
<b>REVENUES</b>				
Foundations	\$ 1,017,883	\$ 341,336	\$ 1,359,219	\$ 1,314,817
Donated food (Note 2)	560,000		560,000	636,000
Special events	539,702		539,702	398,742
Individuals	437,612	129,803	567,415	538,805
Social enterprise	428,364		428,364	305,242
Federal Government	181,584		181,584	61,270
City of Toronto	181,171		181,171	123,027
Corporations	153,310	9,615	162,925	145,684
Provincial Government	71,497		71,497	11,500
Religious organizations	36,308		36,308	30,840
Organizations	20,827		20,827	18,021
Interest and misc.	19,223		19,223	1,015
United Way	8,000		8,000	8,000
	<u>3,655,481</u>	<u>480,754</u>	<u>4,136,235</u>	<u>3,592,963</u>
<b>EXPENSES</b>				
Community Programs	2,084,887		2,084,887	1,950,042
Fundraising and communications	543,231		543,231	440,645
Social enterprise	244,542		244,542	122,290
Employee benefits	230,004		230,004	211,593
Occupancy costs (Note 6 & Note 7)	111,741		111,741	92,229
Administration salaries	98,488		98,488	106,870
Replication	91,870		91,870	-
Operating	70,849		70,849	84,165
Bank charges and interest	19,610		19,610	15,666
Office supplies	17,382		17,382	13,867
Accounting, audit and legal	16,996		16,996	8,137
Insurance	14,823		14,823	7,564
Telecommunications	13,643		13,643	13,125
Equipment maintenance	12,527		12,527	7,073
Renovations	3,573		3,573	4,900
Amortization	-	486,208	486,208	472,971
	<u>3,574,166</u>	<u>486,208</u>	<u>4,060,374</u>	<u>3,551,137</u>
Excess (deficiency) of revenues over expenses	<u>\$ 81,315</u>	<u>\$ (5,454)</u>	<u>\$ 75,861</u>	<u>\$ 41,826</u>

The accompanying notes are an integral part of these financial statements

**THE STOP COMMUNITY FOOD CENTRE**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

	<u>Operating Fund</u>	<u>Invested In Capital Assets</u>	<u>Capacity Building</u>	<u>Total</u>
Balance, August 31, 2009	\$ 178,203	\$ 10,828	\$ 116,588	\$ 305,619
Excess (deficiency) of revenues over expenses	48,472	(6,646)	-	41,826
Transfer from operating fund	<u>(5,843)</u>	<u>5,843</u>	-	-
Balance, August 31, 2010	\$ 220,832	\$ 10,025	\$ 116,588	\$ 347,445
Excess (deficiency) of revenues over expenses	81,315	(5,454)	-	75,861
Transfer from operating fund	<u>(16,003)</u>	<u>16,003</u>	-	-
Balance, August 31, 2011	<u>\$ 286,144</u>	<u>\$ 20,574</u>	<u>\$ 116,588</u>	<u>\$ 423,306</u>

The accompanying notes are an integral part of these financial statements

**THE STOP COMMUNITY FOOD CENTRE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses		
Operating fund	\$ 81,315	\$ 48,472
Invested in capital assets fund	(5,454)	(416,454)
Item not affecting cash:		
Amortization	486,208	472,971
	<u>562,069</u>	<u>104,989</u>
Net change in non-cash working capital items		
Miscellaneous receivables	(77,834)	(33,949)
Prepaid expenses	(10,290)	16,740
Accounts payable and accruals	(11,217)	98,255
Deferred income	406,838	401,221
	<u>307,497</u>	<u>482,267</u>
Total cash from (used in) operating activities	<u>869,566</u>	<u>587,256</u>
<b>INVESTING ACTIVITIES</b>		
Additions to capital assets	<u>(110,871)</u>	<u>(62,360)</u>
Total cash from (used in) investing activities	<u>(110,871)</u>	<u>(62,360)</u>
<b>FINANCING ACTIVITIES</b>		
Decrease in loan payable	<u>-</u>	<u>(242,258)</u>
Total cash from (used in) financing activities	<u>-</u>	<u>(242,258)</u>
Increase in cash for the year	758,695	282,638
CASH AND TERM DEPOSITS AT BEGINNING OF YEAR	<u>1,393,626</u>	<u>1,110,988</u>
CASH AND TERM DEPOSITS AT END OF YEAR	<u>\$ 2,152,321</u>	<u>\$ 1,393,626</u>
Interest paid	<u>\$ -</u>	<u>\$ 2,531</u>

The accompanying notes are an integral part of these financial statements

**THE STOP COMMUNITY FOOD CENTRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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**1. PURPOSE OF THE ORGANIZATION**

The Stop Community Food Centre ("The Stop") provides programs, services and advocacy to address the problems of poverty and hunger in Davenport West Toronto.

The Stop was incorporated by Letters Patent granted by the Province of Ontario on December 1, 1982, as a corporation without share capital.

**2. ACCOUNTING POLICIES**

(a) *Revenue recognition*

The Stop utilizes fund accounting and records contributions using the deferral method.

Under the deferral method:

- Contributions from externally restricted sources are recognized as revenue in the Operating Fund as the related expenses are incurred;
- Unrestricted contributions are recognized as revenue of the Operating Fund in the period received.

*Operating Fund*

The Operating Fund reports the assets, liabilities and expenses related to the general operation of The Stop.

*Capacity Building Fund*

This is an internally restricted Fund to be used to strategically increase The Stop's capacity to deliver on its mission. Projects supported by the Fund will be determined by the Board and documented in a work plan specific to the Fund. Interest on the Fund is credited to the General Fund.

*Invested in Capital Assets Fund*

The Fund comprises the net book value of capital assets less the unamortized balance of deferred income received from funders to purchase capital assets.



**THE STOP COMMUNITY FOOD CENTRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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2. **ACCOUNTING POLICIES**, continued

(b) *Financial instruments*

Financial assets and liabilities have been classified based on the purpose for which the financial instruments were acquired or issued, their characteristics and The Stop's designation of such instrument.

<u>Asset/Liability</u>	<u>Classification</u>
Cash	Held for trading
Term deposits	Held for trading
Miscellaneous receivables	Loans and receivable
Accounts payable	Other liabilities

*Held for trading*

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

*Loans and receivables*

Loans and receivables are accounted for at amortized cost using the effective interest method.

*Other liabilities*

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

(c) *Contributed services and product*

Volunteers contribute significantly in assisting The Stop in carrying out its service delivery activities. For example, in 2011, volunteers contributed 35,000 hours (\$420,000 worth of labour at \$12.00 per hour) to the Organization. In-kind services are not recognized in these financial statements except that food donated by the Daily Bread Food Bank and Second Harvest to The Stop has been costed and included in both revenues and expenses in the Statement of Operations.

**THE STOP COMMUNITY FOOD CENTRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

2. **ACCOUNTING POLICIES**, continued

(d) *Capital assets and amortization*

Capital assets are recorded at cost. Amortization is calculated annually at the following rates:

Office furniture and equipment	-	5 years straight line
Computer equipment	-	3 years straight line
Kitchen equipment	-	5 years straight line
Leasehold improvements	-	5 year straight line

(e) *Income taxes*

The Stop is a registered charity and, while registered, is exempt from income tax.

3. **CAPITAL ASSETS**

	2011			2010
	Cost	Accumulated Amortization	Net	Net
Office furniture and equipment	\$ 45,498	\$ 37,933	\$ 7,565	\$ 1,499
Computer equipment	43,666	41,310	2,356	-
Kitchen equipment	102,803	98,094	4,709	294
Leasehold improvements				
1884 Davenport	297,562	208,375	89,187	40,125
Green Barn	2,279,547	1,300,564	978,983	1,416,219
	<u>\$ 2,769,076</u>	<u>\$ 1,686,276</u>	<u>\$ 1,082,800</u>	<u>\$ 1,458,137</u>

4. **DEFERRED INCOME**

Deferred income consists mainly of income received related to periods after August 31, 2011 or for which expenses have not yet been incurred plus the unamortized balance of monies received to fund leasehold improvements at the Green Barn and 1884 Davenport.

**THE STOP COMMUNITY FOOD CENTRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

4. **DEFERRED INCOME**, continued

The main items are as follows:	<u>2011</u>	<u>2010</u>
Green Barn Project – leaseholds	\$ 1,062,226	\$ 1,448,112
Green Barn Project - operating	844,076	455,722
1884 Davenport – operating	386,597	325,384
Replication	<u>509,357</u>	<u>166,200</u>
	<u>\$ 2,802,256</u>	<u>\$ 2,395,418</u>

5. **FINANCIAL INSTRUMENTS**

Financial instruments of the organization consist mainly of cash and term deposits, miscellaneous receivables and accounts payable. The carrying values of these financial assets and liabilities other than loan payable approximate their fair market value due to their short maturities.

6. **OCCUPANCY COSTS**

The Stop is negotiating a new lease with the Toronto Community Housing Corporation for a minimum period of 5 years wherein The Stop pays only its proportionate share of occupancy costs; however, no terms have yet been finalized.

7. **GREEN BARN PROJECT**

(a) Lease Obligation

The Stop has created a sustainable food production and education centre called the Green Barn. The organization has negotiated a sublease with Toronto Artscape Foundation (the landlord) for a period of 10 years from January, 2009 at a base rent of \$2.00 per year plus The Stop's proportionate share of operating costs. The Stop has 4 ten year options to renew the sublease with the same terms and conditions.

In addition, The Stop has leased office space at a rent of \$9,350 per year to January 8, 2014 plus operating costs with an option to renew for 5 years.

(b) Capital Campaign

The Stop's Green Barn capital campaign is now complete with over \$4,700,000 received to date and pledges of \$273,000 outstanding at August 31, 2011. These pledges have not been set up as receivables at August 31, 2011.

**THE STOP COMMUNITY FOOD CENTRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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**8. CAPITAL MANAGEMENT**

The Stop considers its Capital to be the balance maintained in its Operating Fund. The primary objective of The Stop is to invest its Capital in a manner that will allow it to continue as a going concern and comply with its stated goals of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements.

Capital is invested under the direction of the Board of Directors and The Stop is not subject to any externally imposed restrictions on its Capital.

**9. ALLOCATED EXPENSES**

The salaries of certain employees who perform more than one function (program, fundraising or administration) are prorated to those functions based on estimated time spent in each function. Accordingly amounts charged to fundraising and administration in 2011 were \$338,568 (2010 - \$288,659) and \$98,488 (2010 - \$106,869) respectively.

**10. 2010 FINANCIAL STATEMENTS**

Several items have been reclassified in the prior year financial statements to conform with the treatment in 2011.