

**FOOD SECURE CANADA**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2013**

**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, which comprise the balance sheet as at August 31, 2013, and the statements of income, 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.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of FOOD SECURE CANADA as at August 31, 2013, 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.

*Comparative Information*

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that FOOD SECURE CANADA adopted Canadian accounting standards for not-for-profit organizations on September 1st, 2012 with a transition date of September 1st, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at August 31, 2012 and September 1st, 2011, and the statements of income, changes in net assets and cash flows for the year ended August 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

*Daguzais Lapierre Simard et Associé SENCRL*<sup>1</sup>

Montreal, March 18, 2014

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<sup>1</sup> By Robert Schanck, CPA auditor, CA

**FOOD SECURE CANADA**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Grants (Schedule A)	\$ 332,414	\$ 116,544
Sponsorships	43,810	-
Donations	17,371	38,510
Memberships	43,535	34,284
Other revenues	<u>61,664</u>	<u>4,217</u>
	<u>498,794</u>	<u>193,555</u>
<b>EXPENSES</b>		
Assembly	181,382	-
Network activities	96,148	66,119
Campaigns and outreach	97,312	89,973
Organizational development and governance	26,709	37,483
Professional fees	9,691	-
Overhead	70,791	54,748
Amortization	<u>568</u>	<u>-</u>
	<u>482,601</u>	<u>248,323</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 16,193</u>	<u>\$ (54,768)</u>

**FOOD SECURE CANADA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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	<u>Unrestricted</u>	<u>Invested in capital assets</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 26,146	\$ -	\$ 26,146	\$ 80,914
Excess (deficiency) of revenue over expenses	16,761	(568)	16,193	(54,768)
Investment in capital assets	<u>(16,386)</u>	<u>16,386</u>	<u>-</u>	<u>-</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 26,521</u>	<u>\$ 15,818</u>	<u>\$ 42,339</u>	<u>\$ 26,146</u>

**FOOD SECURE CANADA**  
**BALANCE SHEET**  
**AS AT AUGUST 31, 2013**

	<u>2013</u>	<u>2012</u>	<u>As at September 1st, 2011</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 155,593	\$ 96,908	\$ 33,964
Temporary investments (note 4)	30,000	-	50,150
Accounts receivable	2,500	-	-
Grants to be received	21,619	21,544	-
Prepaid expenses	<u>-</u>	<u>10,000</u>	<u>-</u>
	209,712	128,452	84,114
<b>CAPITAL ASSETS (note 5)</b>	2,268	-	-
<b>INTANGIBLE ASSETS (note 6)</b>	<u>13,550</u>	<u>-</u>	<u>-</u>
	<u>\$ 225,530</u>	<u>\$ 128,452</u>	<u>\$ 84,114</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable (note 7)	\$ 26,691	\$ 19,806	\$ 3,200
Deferred contributions (note 8)	156,500	75,000	-
Deferred sponsorships	<u>-</u>	<u>7,500</u>	<u>-</u>
	<u>183,191</u>	<u>102,306</u>	<u>3,200</u>
<b>NET ASSETS</b>			
<b>UNRESTRICTED</b>	26,521	26,146	80,914
<b>INVESTED IN CAPITAL ASSETS</b>	<u>15,818</u>	<u>-</u>	<u>-</u>
	<u>42,339</u>	<u>26,146</u>	<u>80,914</u>
	<u>\$ 225,530</u>	<u>\$ 128,452</u>	<u>\$ 84,114</u>

**ON BEHALF OF THE BOARD,**

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

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

**FOOD SECURE CANADA**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

	<u>2013</u>	<u>2012</u>
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 16,193	\$ (54,768)
Non-cash item:		
Amortization of capital assets	<u>568</u>	<u>-</u>
	16,761	(54,768)
Net change in non-cash working capital items		
Accounts receivable	(2,500)	-
Grants to be received	(75)	(21,544)
Prepaid expenses	10,000	(10,000)
Accounts payable	6,885	16,606
Deferred contributions	81,500	75,000
Deferred sponsorships	<u>(7,500)</u>	<u>7,500</u>
	<u>105,071</u>	<u>12,794</u>
<b>INVESTING ACTIVITIES</b>		
Cashed term deposit	70,000	50,150
Acquisition of term deposit	(100,000)	-
Acquisition of intangible assets	(13,550)	-
Acquisition of capital assets	<u>(2,836)</u>	<u>-</u>
	<u>(46,386)</u>	<u>50,150</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	58,685	62,944
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>96,908</u>	<u>33,964</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 155,593</u>	<u>\$ 96,908</u>

Cash and cash equivalents consist of cash.

## **FOOD SECURE CANADA**

### **NOTES TO FINANCIAL STATEMENTS**

**AS AT AUGUST 31, 2013**

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#### **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 collaboration 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 CICA Accounting Handbook.

##### **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.

##### **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, 2013**

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**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%.

**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.

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

**FOOD SECURE CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AUGUST 31, 2013**

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**3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING**

These financial statements are the first financial statements for which the Organization has applied the Canadian accounting standards for not-for-profit organizations. First-time adoption of this new basis of accounting had not impact on the balance sheet at the date of transition, September 1, 2011, or on net income and cash flows for the year ended August 31, 2012.

**4. TEMPORARY INVESTMENTS**

	<u>2013</u>	<u>2012</u>
One year cashable GIC, 1.100%, maturing in July 2014	\$ <u>30,000</u>	\$ <u>-</u>

**5. CAPITAL ASSETS**

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Computer equipment	\$ <u>2,836</u>	\$ <u>568</u>	\$ <u>2,268</u>	\$ <u>-</u>

**6. INTANGIBLE ASSETS**

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Website in development	\$ <u>13,550</u>	\$ <u>-</u>	\$ <u>13,550</u>	\$ <u>-</u>

**7. ACCOUNTS PAYABLE**

	<u>2013</u>	<u>2012</u>
Trade accounts payable	\$ 8,382	\$ 19,806
Sales tax payable	<u>18,309</u>	<u>-</u>
	<u>\$ 26,691</u>	<u>\$ 19,806</u>

**FOOD SECURE CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AUGUST 31, 2013**

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**8. 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 balances are:

	<u>2013</u>	<u>2012</u>
<b>Opening balance</b>	\$ 75,000	\$ -
Less: amount recognized as revenue in the year	(75,000)	-
Plus: amount received related to the following year (note 9)	<u>156,500</u>	<u>75,000</u>
<b>Closing balance</b>	<u>\$ 156,500</u>	<u>\$ 75,000</u>

**9. ALLOCATION OF DEFERRED CONTRIBUTIONS**

Deferred contributions were allocated as follows:

	<u>2013</u>	<u>2012</u>
Sustainable local network	\$ 75,000	\$ 70,000
Learning networks in the food movement	45,000	5,000
Convening	12,000	-
Web development	20,000	-
Evaluation	<u>4,500</u>	<u>-</u>
Amount received related to the following year	<u>\$ 156,500</u>	<u>\$ 75,000</u>

**10. ALLOCATION OF PERSONNEL COSTS BY FUNCTION**

Personnel costs were allocated as follows:

	<u>2013</u>	<u>2012</u>
Assembly	\$ 34,299	\$ -
Network activities	83,391	56,224
Campaigns and outreach	73,181	64,799
Organizational development and governance	22,998	23,297
Overhead	<u>46,114</u>	<u>39,198</u>
	<u>\$ 259,983</u>	<u>\$ 183,518</u>

**FOOD SECURE CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AUGUST 31, 2013**

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**11. FINANCIAL INSTRUMENTS**

**Risk management policy**

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the balance sheet date.

**Liquidity risk**

Liquidity risk is the risk that the Organization will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities, arranging for appropriate credit facilities and being able to liquidate market positions. The Organization believes that its recurring financial resources are adequate to cover all its expenditures.

**Credit risk**

Credit risk is the risk that one party within 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.

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.

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.

**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 financial instruments. Fixed-interest instruments subject the Organization to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

**Risk exposure change**

Since last year, the Organization is exposed to interest rate risk.

**FOOD SECURE CANADA**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AUGUST 31, 2013**

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**12. COMPARATIVE FIGURES**

Certain figures for 2012 have been reclassified to make their presentation correspond to that adopted in 2013.

**FOOD SECURE CANADA**  
**ADDITIONAL INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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	<u>2013</u>	<u>2012</u>
<b>SCHEDULE A</b>		
<b>GRANTS</b>		
Foundations		
- The J.W. McConnell Family Foundation	\$ 153,500	\$ 65,000
- Inter Pares	45,500	30,000
- Silver Dollar Foundation	20,000	-
Government	90,401	21,544
Internships	<u>23,013</u>	<u>-</u>
	<u>\$ 332,414</u>	<u>\$ 116,544</u>