

CHEP GOOD FOOD INC.
FINANCIAL STATEMENTS
JULY 31, 2010

AUDITORS' REPORT

To the Members of
CHEP Good Food Inc.

We have audited the statement of financial position of CHEP Good Food Inc. as at July 31, 2010 and the statements of changes in net assets, operations, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the organization derives revenue from grants, donations, and food security programs of which the completeness is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues 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 contributions, deficiency of receipts over disbursements, assets and net assets.

In our opinion, except for the effect of any adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at July 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SASKATOON, SASKATCHEWAN

October 8, 2010


Chartered Accountants

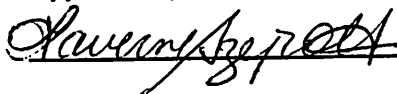
CHEP GOOD FOOD INC.


STATEMENT OF FINANCIAL POSITION

JULY 31, 2010

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ -	\$ 10,351
Short-term investments - unrestricted	40,495	-
Short-term investments - internally restricted	37,577	78,730
Accounts receivable	126,347	183,122
Prepaid expenses	<u>5,360</u>	<u>4,741</u>
	209,779	276,944
Capital assets (Note 3)	<u>36,267</u>	<u>51,339</u>
	<u>\$ 246,046</u>	<u>\$ 328,283</u>
<u>LIABILITIES</u>		
Current Liabilities		
Bank indebtedness (Note 4)	\$ 17,272	\$ -
Accounts payable	8,983	88,126
Demand loan (Note 5)	60,000	40,329
Deferred contributions (Note 6)	<u>33,204</u>	<u>17,674</u>
	<u>119,459</u>	<u>146,129</u>
<u>NET ASSETS</u>		
Net Assets		
Invested in capital assets	36,267	51,339
General Operating Fund	41,095	32,310
Food Security Program Fund	11,648	(13,424)
Internally restricted for future programs	<u>37,577</u>	<u>111,929</u>
	<u>126,587</u>	<u>182,154</u>
	<u>\$ 246,046</u>	<u>\$ 328,283</u>

Approved by the Directors

 Director

 Director

CHEP GOOD FOOD INC.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2010

	Invested in Capital <u>Assets</u>	General Operating <u>Fund</u>	Food Security Program <u>Fund</u>	Internally Restricted <u>Funds</u>	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 51,339	\$ 32,310	\$ (13,424)	\$ 111,929	\$ 182,154	\$ 241,392
Deficiency of receipts over disbursements	-	(6,287)	(49,280)	-	(55,567)	(59,238)
Amortization	(15,072)	15,072	-	-	-	-
Transfers to Food Security Program Fund	-	-	74,352	(74,352)	-	-
Balance, end of year	\$ <u>36,267</u>	\$ <u>41,095</u>	\$ <u>11,648</u>	\$ <u>37,577</u>	\$ <u>126,587</u>	\$ <u>182,154</u>

CHEP GOOD FOOD INC.**STATEMENT OF OPERATIONS****YEAR ENDED JULY 31, 2010**

	General Operating Fund	Food Security Program Fund	2010	2009
Receipts				
Government of Saskatchewan	\$ 49,167	\$ 385,666	\$ 434,833	\$ 419,727
Other government funds - Government of Canada	-	50,000	50,000	37,090
City of Saskatoon cash grant	1,850	7,500	9,350	12,500
United Way of Saskatoon	25,287	69,100	94,387	89,847
Other grants (Note 7)	1,000	-	1,000	1,351
Fundraising	36,232	33,149	69,381	72,369
Donations	10,944	40,774	51,718	56,384
Other Food sales	-	129,484	129,484	101,616
Non-receipted donations in kind	2,871	23,930	26,801	29,492
Investment income	591	-	591	3,592
Miscellaneous	5,143	1,770	6,913	5,111
Good Food Market	90	200,958	201,048	244,068
Partnership funds (Note 8)	3,106	12,775	15,881	24,520
Research and development	-	6,888	6,888	1,730
Carry forward from 08/09 (Note 9)	-	15,118	15,118	76,976
	<u>136,281</u>	<u>977,112</u>	<u>1,113,393</u>	<u>1,176,373</u>
Disbursements				
Administration and office expenses	21,582	25,803	47,385	45,987
Advertising and promotion	8,568	11,068	19,636	8,287
Amortization	15,072	-	15,072	21,885
Food	395	258,372	258,767	256,306
Fundraising	50,194	964	51,158	43,941
Honoraria	430	20,009	20,439	24,311
In kind - office	2,871	23,930	26,801	29,492
Meetings and committee support	4,745	2,180	6,925	5,485
Miscellaneous	122	1,769	1,891	439
Participation and workshops	530	16,564	17,094	19,134
Produce / Good Food Market	-	188,493	188,493	247,251
Program materials	80	11,313	11,393	27,018
Research and development	-	2,921	2,921	2,029
Staff expenses - organizational staff	37,979	427,770	465,749	451,601
Staff expenses - community staff	-	35,236	35,236	52,445
	<u>142,568</u>	<u>1,026,392</u>	<u>1,168,960</u>	<u>1,235,611</u>
Deficiency of receipts over disbursements	(6,287)	(49,280)	(55,567)	(59,238)
Transfer from internally restricted funds	-	40,495	(40,495)	38,451
Net decrease to fund balances	\$ (6,287)	\$ 8,785	\$ (15,072)	\$ (20,787)

CHEP GOOD FOOD INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JULY 31, 2010

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Deficiency of receipts over disbursements	\$ (55,567)	\$ (59,238)
Amortization, not affecting cash	15,072	21,885
Net changes in non-cash working capital items related to operations:		
Short-term investments - internally restricted	658	71,650
Accounts receivable	56,775	(130,528)
Prepaid expenses	(619)	1,263
Accounts payable	(79,143)	63,769
Demand loan	19,671	40,329
Deferred contributions	<u>15,530</u>	<u>(60,449)</u>
	<u>(27,623)</u>	<u>(51,319)</u>
Cash flows from investing activities		
Purchase of capital assets	<u>-</u>	<u>(549)</u>
Net decrease in cash during the year	(27,623)	(51,868)
Cash, beginning of year	<u>10,351</u>	<u>62,219</u>
(Bank indebtedness) cash, end of year	\$ <u>(17,272)</u>	\$ <u>10,351</u>

CHEP GOOD FOOD INC.

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2010

1. Purpose of organization

CHEP Good Food Inc. (CHEP) is a non-profit organization whose mandate is to work with children, families and communities to improve access to good food and promote food security. CHEP believes that food is a basic right and that inadequate nutrition adversely affects health, physical, mental, and emotional development, learning ability and participation in community. CHEP believes that a community development approach is necessary to fulfill its mission. No provision for income taxes has been made in these financial statements as the organization is a non-profit organization. To the extent that the organization maintains its non-profit status, no income taxes will be payable.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) to reflect the following significant accounting policies:

Fund accounting

CHEP follows the deferral method of accounting for contributions.

The General Operating Fund accounts for the organization's program delivery and administration activities. This fund reports unrestricted resources and restricted operating grants.

The Food Security Program Fund reports revenue and expenses related to the programs that CHEP supports.

The invested in Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets.

The Internally Restricted Fund reports resources that have been allocated for specific purposes by the Board of Directors of the Organization.

Short-term investments

Short-term investments include a guaranteed investment certificate and money market funds, and are recorded at the lower of cost and market value.

Capital assets

Capital assets are recorded at cost. Automobiles and equipment are amortized using the declining balance method. On acquisitions during the year, amortization is calculated at one-half the annual rate. Annual amortization rates are as follows:

Computer equipment	30%
Furniture and equipment	20%
Van and truck	30%

Appropriation of funds

The Board of Directors has approved the appropriation of certain funds generated from operations to be set aside to be used for the future as a reserve program. The amounts of these appropriations and the appropriated balances are accounted for and disclosed separately in the financial statements as internally restricted funds.

CHEP GOOD FOOD INC.

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2010

2. Significant accounting policies (continued)

Revenue recognition

Externally restricted contributions are recognized as receipts 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 assured.

Fundraising income is recognized on the completion of the event.

Investment income is recognized on an accrual basis.

Contributed services

This organization records contributions of materials and services at fair market value to the extent they can be reasonably estimated and used in normal operating activities.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of receipts and disbursements during the reporting period.

By nature, valuations are subjective and do not necessarily result in precise determinations. Should underlying assumptions change, the estimated values could change by a material amount.

3. Capital assets

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 13,437	\$ 10,525	\$ 2,912	\$ 4,160
Furniture and equipment	7,334	4,701	2,633	3,291
Van and truck.	<u>\$ 104,279</u>	<u>\$ 73,557</u>	<u>\$ 30,722</u>	<u>\$ 43,888</u>
	<u>\$ 125,050</u>	<u>\$ 88,783</u>	<u>\$ 36,267</u>	<u>\$ 51,339</u>

4. Bank indebtedness

Bank indebtedness consists of cheques issued in excess of funds on deposit, bears interest at bank prime plus 1% and is secured by a \$40,000 GIC investment.

5. Demand loan

8% Affinity Credit Union demand loan repayable in one lump sum payment of \$60,000 plus accrued interest. Repayment was made in full subsequent to year end.

CHEP GOOD FOOD INC.

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2010

6. Deferred contributions

Deferred contributions relate to funding received in the current period that relates to the subsequent period:

	<u>2010</u>	<u>2009</u>
City of Saskatoon cash grant	\$ 18,150	\$ 12,500
Quint Development Corporation	4,500	-
Mennonite Central Committee	1,200	-
The Hitachi Foundation	2,500	-
Other - various small grants and funds	<u>6,854</u>	<u>5,174</u>
	<u>\$ 33,204</u>	<u>\$ 17,674</u>

7. Other grants

Other grant revenue consists of funds received from The Muttart Foundation and others.

8. Partnership funds

Partnership funds consist of monies received from the program partners; the College of Medicine, Greater Saskatoon Catholic Schools Foundation Inc., Public Health Services - Saskatoon Health Region and the Saskatoon Community Clinic.

9. Carry forward from 08/09

This line represents the deferred receipts from prior fiscal periods that were spent in the current year:

City of Saskatoon	\$ 12,500
Other - various small grants and funds	<u>2,618</u>
	<u>\$ 15,118</u>

10. Capital disclosures

The organization adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1535 Capital Disclosures. This Section requires the disclosure of information about how an organization defines and manages capital. The organization's primary objective when managing capital is to ensure that it has sufficient resources to fund the development and commercialization of the proposed grocery store and community enterprise center and to maintain its ongoing operations.

11. Financial instruments

Fair value of financial instruments

The carrying amount of current financial assets and current financial liabilities approximate their fair value because of the short-term maturities of these items.

Credit risk management

The organization is exposed to credit risks on the accounts receivable from its customers. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. The organization does have significant exposure to two funders, but has not incurred any significant bad debts in the past few years.

CHEP GOOD FOOD INC.

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2010

12. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.