

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY
Financial Statements
Year Ended December 31, 2018

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Brown Bagging for Calgary Street Kids Society

We have reviewed the accompanying financial statements of Brown Bagging for Calgary Street Kids Society which comprise the statement of financial position as at December 31, 2018 and the statements of 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.

Practitioner's Responsibility for the Financial Statements

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Brown Bagging for Calgary Street Kids Society as at December 31, 2018, 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.

Adams MacFarlane

Calgary, Alberta
April 8, 2019

Chartered Accountants

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

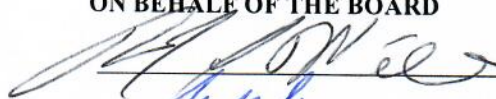
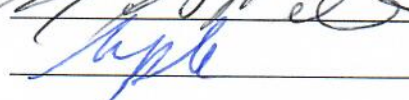
Statement of Financial Position

December 31, 2018

	2018	2017
Assets		
Current		
Cash	\$ 258,792	\$ 371,617
Marketable securities - The Calgary Foundation	201,401	328,638
Donations receivable	52,237	60,074
Goods and services tax recoverable	4,302	4,132
Prepaid expenses	9,235	7,472
Gift cards	29,003	35,244
	<u>554,970</u>	<u>807,177</u>
Restricted casino cash (Note 3)	2,683	7,302
Investments - term deposits	21,478	21,287
Property and equipment (Note 4)	<u>48,531</u>	<u>59,901</u>
	<u>\$ 627,662</u>	<u>\$ 895,667</u>
Liabilities and Net assets		
Current		
Accounts payable and accrued liabilities	\$ 35,971	\$ 82,903
Deferred casino revenue (Note 3)	<u>2,683</u>	<u>7,302</u>
	<u>38,654</u>	<u>90,205</u>
Net assets		
Internally restricted (Note 6)	50,000	50,000
Invested in capital assets	48,531	59,901
Unrestricted	<u>490,477</u>	<u>695,561</u>
	<u>589,008</u>	<u>805,462</u>
	<u>\$ 627,662</u>	<u>\$ 895,667</u>

Lease commitments (Note 5)

ON BEHALF OF THE BOARD

 Director
 Director

See notes to financial statements

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Statement of Revenues and Expenditures

Year Ended December 31, 2018

(Unaudited)

	2018	2017
Revenue		
Donations	\$ 1,296,943	\$ 1,303,944
Casino (Note 3)	4,619	58,959
Other income	4,218	1,684
	<u>1,305,780</u>	<u>1,364,587</u>
Expenditures		
Kitchen costs	531,962	381,184
Community costs	415,375	369,981
Administrative costs	358,331	523,639
Marketing and promotion	179,737	129,432
Office	31,897	37,582
Amortization	8,510	5,310
	<u>1,525,812</u>	<u>1,447,128</u>
Excess (deficiency) of revenue over expenditures from operations	<u>(220,032)</u>	<u>(82,541)</u>
Other income and expenses		
Realized gain on marketable securities	8,044	10,129
Dividend income	3,452	4,904
Interest income	2,853	4,065
Investment management fees	(4,034)	(4,707)
Unrealized gain (loss) on marketable securities	(6,737)	17,009
	<u>3,578</u>	<u>31,400</u>
Excess (deficiency) of revenue over expenditures for the year	<u>\$ (216,454)</u>	<u>\$ (51,141)</u>

See notes to financial statements

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2018

	Unrestricted	Internally restricted	Invested in capital assets	2018	2017
Net assets - beginning of year	\$ 695,561	\$ 50,000	\$ 59,901	\$ 805,462	\$ 856,603
Deficiency of revenue over expenditures	(205,084)	-	(11,370)	(216,454)	(51,141)
Net assets - end of year	<u>\$ 490,477</u>	<u>\$ 50,000</u>	<u>\$ 48,531</u>	<u>\$ 589,008</u>	<u>\$ 805,462</u>

See notes to financial statements

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Statement of Cash Flows Year Ended December 31, 2018

	2018	2017
Operating activities		
Deficiency of revenue over expenditures	\$ (216,454)	\$ (51,141)
Items not affecting cash:		
Amortization of capital assets	8,510	5,310
Write down (write up) of marketable securities	6,737	(17,009)
	<u>(201,207)</u>	<u>(62,840)</u>
Changes in non-cash working capital:		
Donations receivable	7,837	(24,410)
Goods and services tax payable	(170)	3,965
Prepaid expenses	(1,763)	(4,189)
Gift cards	6,241	(5,395)
Accounts payable and accrued liabilities	(46,932)	68,887
Deferred casino revenue	(4,619)	7,266
	<u>(39,406)</u>	<u>46,124</u>
Cash flow used by operating activities	<u>(240,613)</u>	<u>(16,716)</u>
Investing activities		
Additions to property	2,860	(35,687)
Reinvestment into marketable securities	(9,691)	(13,148)
Redemption of marketable securities	130,000	-
Cash flow from (used by) investing activities	<u>123,169</u>	<u>(48,835)</u>
Decrease in cash flow	<u>(117,444)</u>	<u>(65,551)</u>
Cash - beginning of year	<u>378,919</u>	<u>444,470</u>
Cash - end of year	<u>\$ 261,475</u>	<u>\$ 378,919</u>
Cash consists of:		
Cash	\$ 258,792	\$ 371,617
Restricted casino cash	2,683	7,302
	<u>\$ 261,475</u>	<u>\$ 378,919</u>

See notes to financial statements

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

1. NATURE OF OPERATIONS

Brown Bagging for Calgary Street Kids Society (the "Society") is a not-for-profit registered charitable organization incorporated on September 22, 2000 under the Societies Act of Alberta.

The Society received registered charity tax exempt status pursuant to the Canadian Income Tax Act, effective June 10, 2002.

The mission of the Society is to offer children in need hope and opportunity through the provision of essential nutrients necessary for healthy growth and development, and to act as a catalyst in the development of community based solutions to break down barriers caused by malnutrition.

The Society is exempt from income taxes, and thus no provision for income taxes has been made within these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principals for not-for-profit organizations.

Cash and cash equivalents

Cash includes cash and cash equivalents. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Term deposits

Term deposits are recorded at fair market value and are held for the purpose of collateralizing the \$20,000 VISA credit facility. These investments are held at a recognized Canadian financial institution and as such are exposed to all of the risks associated with that institution. The investments are in 18-month revolving GICs expected to be renewed every term while the credit facility remains in place, therefore the balance has been shown as a non-current asset. The rates are currently averaging 0.90% per annum.

Property and equipment

Property and equipment are recorded at cost and contributed capital assets are recorded at fair market value at the date of the contribution. These assets are amortized on the declining balance basis at rates calculated to amortize the cost of the capital assets over their estimated useful lives. Additions to capital assets are amortized at one-half their original rate in the year of acquisition.

Kitchen equipment	10%	declining balance method
Office equipment	20%	declining balance method
Motor vehicles	30%	declining balance method
Computer equipment	30% to 55%	declining balance method
System software	5 years	straight-line method

In 2017, property and equipment included system software assets not yet in use in the amount of \$22,125 for which no amortization has been taken.

(continues)

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Society 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.

Contributed and Volunteer Services

Volunteers contribute their time to assist the Society in carrying out its operating activities (food preparation volunteers, delivery volunteers, Board of Directors and other volunteers). As it is difficult to determine the fair value of the services provided, these services have not been recorded within these financial statements.

Measurement uncertainty

The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include the useful life of property and equipment and are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost include cash, term deposits, restricted casino cash, and donations receivable.

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

The marketable securities and term deposits are carried at fair market value.

3. DEFERRED CASINO REVENUE

The deferred revenue represents funds received by the Society that are restricted in its use, and have been deferred for the benefit of future periods. The restrictions have been imposed by the donors and contracts entered into by the Society. The following represents the various sources of restricted revenue that have been deferred:

	2018	2017
Casino cash balance at beginning of year	\$ 7,302	\$ 36
Plus amount received during the year	-	66,224
Less amount recognized as revenue in the year	(4,619)	(58,958)
Casino cash balance at the end of the year	\$ 2,683	\$ 7,302

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Kitchen equipment	\$ 60,042	\$ 34,274	\$ 25,768	\$ 28,631
Office equipment	12,386	8,247	4,139	5,174
Motor vehicles	60,206	59,526	680	971
Computer equipment	24,915	21,629	3,286	3,000
System software	16,594	1,936	14,658	22,125
	<u>\$ 174,143</u>	<u>\$ 125,612</u>	<u>\$ 48,531</u>	<u>\$ 59,901</u>

5. LEASE COMMITMENTS

The Society manages its operations from leased premises as follows:

1. The office lease is a month-to-month lease commencing March 1, 2008 with an annual rental payment of \$13,921 including all applicable taxes.
2. The kitchen lease is contracted between the Society and Calgary Housing Company (the "Landlord"), and is for two years, from January 1, 2018 to December 31, 2019. The Landlord has assured the Society of long-term availability of this leased space. Payment of all utilities, except telephone and maintenance of the kitchen, is the responsibility of the Landlord. The lease agreement has a monetary consideration of \$1.00 per month as rent, on the basis that the Society's food preparation operation is completed on a not-for-profit basis.

6. INTERFUND TRANSFERS AND INTERNAL RESTRICTIONS

The Internally Restricted Fund is to ensure the short-term sustainability of the Society during times of liquidity difficulties. These internally restricted funds are not available for any other purpose without the prior approval of the Board of Directors.

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2018

7. FINANCIAL INSTRUMENTS

The Society has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, interest rate risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

Credit risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Society is not exposed to significant credit risk as it only records revenues from its activities when received, as the completeness of revenue is uncertain until collected.

Currency Risk

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is not exposed to foreign currency exchange risk.

Liquidity risk

Liquidity risk is the risk that the Society will incur difficulties meeting its financial obligations as they are due. The Society's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Society's reputation.

The Society has accumulated net assets and consistently generates funds in excess of its expenditures and it anticipates it will have adequate liquidity to fund its financial liabilities through its existing working capital.

Market risk

Market risk consists of commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. The Society is exposed to changes in commodity prices impacted by world economic events as it impacts its donors willingness to give and will affect the future fair market value of its marketable securities. Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Society is exposed to interest rate fluctuations on the term deposits and cash balances as the rate of interest is at a floating rate or at short-term fixed rates.

8. COMPARATIVE FIGURES

The 2017 comparative figures were audited.
