

**BROWN BAGGING FOR CALGARY'S KIDS SOCIETY**

**Financial Statements**

**Year Ended December 31, 2016**

*(Unaudited)*

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## REVIEW ENGAGEMENT REPORT

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To the Members of Brown Bagging For Calgary's Kids Society

We have reviewed the statement of financial position of Brown Bagging For Calgary's Kids Society as at December 31, 2016, the statement of revenue and expenditures and the statements of changes in net assets and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Organization.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta  
April 5, 2017


***Adams MacFarlane***


Chartered Accountants

**BROWN BAGGING FOR CALGARY'S KIDS SOCIETY****Statement of Financial Position****December 31, 2016***(Unaudited)*

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 444,434	\$ 399,936
Term deposits	21,078	20,891
Marketable securities - The Calgary Foundation	298,688	279,543
Donations receivable	35,664	-
Goods and services tax recoverable	8,097	4,963
Prepaid expenses	3,283	4,310
Gift cards	29,849	20,180
	<u>841,093</u>	<u>729,823</u>
<b>Property and equipment (Note 3)</b>	<b>29,523</b>	<b>33,754</b>
<b>Restricted casino cash (Note 4)</b>	<b>36</b>	<b>1</b>
	<u>\$ 870,652</u>	<u>\$ 763,578</u>
<b>Liabilities and Net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 14,013	\$ 33,166
<b>Deferred casino revenue (Note 4)</b>	<b>36</b>	<b>1</b>
	<u>14,049</u>	<u>33,167</u>
<b>Net assets</b>		
Internally restricted (Note 6)	50,000	50,000
Invested in capital assets	29,523	33,754
Unrestricted	777,080	646,657
	<u>856,603</u>	<u>730,411</u>
	<u>\$ 870,652</u>	<u>\$ 763,578</u>

**ON BEHALF OF THE BOARD**

 \_\_\_\_\_ Director

 \_\_\_\_\_ Director

See notes to financial statements

**BROWN BAGGING FOR CALGARY'S KIDS SOCIETY****Statement of Revenues and Expenditures****Year Ended December 31, 2016***(Unaudited)*

	2016	2015
<b>Revenue</b>		
Donations	\$ 1,093,433	\$ 920,208
Casino <i>(Note 4)</i>	69,988	58,883
Donations in Kind	5,050	-
	<u>1,168,471</u>	<u>979,091</u>
<b>Expenditures</b>		
Community costs	313,479	316,551
Kitchen costs	317,095	276,763
Administrative costs	290,350	259,926
Marketing and promotion	97,421	55,167
Office	40,965	42,229
Amortization	4,230	4,248
	<u>1,063,540</u>	<u>954,884</u>
<b>Excess of revenue over expenditures from operations</b>	<u>104,931</u>	<u>24,207</u>
<b>Other income and expenses</b>		
Dividend income	5,995	11,104
Interest income	4,691	6,530
Unrealized gain (loss) on marketable securities	7,301	(29,320)
Realized gain (loss) on marketable securities	7,541	31,961
Investment management fees	(4,267)	(3,830)
	<u>21,261</u>	<u>16,445</u>
<b>Excess of revenue over expenditures</b>	<u>\$ 126,192</u>	<u>\$ 40,652</u>

**BROWN BAGGING FOR CALGARY'S KIDS SOCIETY****Statement of Changes in Net Assets****Year Ended December 31, 2016***(Unaudited)*

	Unrestricted	Internally restricted	Invested in capital assets	2016	2015
<b>Net assets - beginning of year</b>	\$ 646,657	\$ 50,000	\$ 33,754	\$ 730,411	\$ 689,758
Excess of revenue over expenditures	126,192	-	-	126,192	40,652
Interfund transfer	4,231	-	(4,231)	-	-
<b>Net assets - end of year</b>	<u>\$ 777,080</u>	<u>\$ 50,000</u>	<u>\$ 29,523</u>	<u>\$ 856,603</u>	<u>\$ 730,410</u>

See notes to financial statements

**BROWN BAGGING FOR CALGARY'S KIDS SOCIETY****Statement of Cash Flows****Year Ended December 31, 2016***(Unaudited)*

	2016	2015
<b>Operating activities</b>		
Excess of revenue over expenditures	\$ 126,192	\$ 40,652
Items not affecting cash:		
Amortization of property, plant and equipment	4,230	4,248
Write-down of marketable securities	(7,301)	29,320
	<u>123,121</u>	<u>74,220</u>
Changes in non-cash working capital:		
Donations receivable	(35,664)	1,173
Accounts payable and accrued liabilities	(19,152)	10,951
Prepaid expenses	1,027	(72)
GST payable (receivable)	(3,134)	(768)
Gift cards	(9,669)	8,420
Deferred casino revenue	35	(58,883)
	<u>(66,557)</u>	<u>(39,179)</u>
Cash flow from operating activities	<u>56,564</u>	<u>35,041</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	-	(13,071)
Reinvestment into marketable securities	(11,844)	(42,672)
Cash flow used by investing activities	<u>(11,844)</u>	<u>(55,743)</u>
<b>Increase (decrease) in cash flow</b>	<b>44,720</b>	<b>(20,702)</b>
<b>Cash - beginning of year</b>	<b>420,828</b>	<b>441,530</b>
<b>Cash - end of year</b>	<b>\$ 465,548</b>	<b>\$ 420,828</b>
<b>Cash consists of:</b>		
Cash	\$ 444,434	\$ 399,936
Term deposits	21,078	20,891
Restricted casino cash	36	1
	<u>\$ 465,548</u>	<u>\$ 420,828</u>

See notes to financial statements



# BROWN BAGGING FOR CALGARY'S KIDS SOCIETY

## Notes to Financial Statements

Year Ended December 31, 2016

(Unaudited)

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### 1. NATURE OF OPERATIONS

Brown Bagging For Calgary's 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.

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### 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. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. 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 financing current and future operations. 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 investment terms are under one year and therefore the balance has been shown as a current asset. The rates are currently averaging 0.95% 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
Motor vehicles	30%	declining balance method
Computer equipment	30% to 55%	declining balance method
Office equipment	20%	declining balance method

#### 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.

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# BROWN BAGGING FOR CALGARY'S KIDS SOCIETY

## Notes to Financial Statements

Year Ended December 31, 2016

(Unaudited)

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

#### Contributed and Volunteer Services

Volunteers contribute their time to assist the Society in carrying out its operating activities (food preparation 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. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Kitchen equipment	\$ 54,083	\$ 28,561	\$ 25,522	\$ 28,358
Motor vehicles	60,206	58,819	1,387	1,982
Computer equipment	18,199	18,049	150	334
Office equipment	8,828	6,364	2,464	3,080
	<u>\$ 141,316</u>	<u>\$ 111,793</u>	<u>\$ 29,523</u>	<u>\$ 33,754</u>



# BROWN BAGGING FOR CALGARY'S KIDS SOCIETY

## Notes to Financial Statements

Year Ended December 31, 2016

(Unaudited)

### 4. 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:

	2016	2015
Casino cash balance at beginning of year	\$ 1	\$ 58,884
Plus amount received during the year	70,023	-
Less amount recognized as revenue in the year	(69,988)	(58,883)
Casino cash balance at the end of the year	\$ 36	\$ 1

### 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 \$6,461 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, 2014 to December 31, 2016. 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. The Society is currently renegotiating the lease with the Landlord and expects similar terms as before.

### 6. INTERFUND TRANSFERS AND INTERNAL RESTRICTIONS

An amount of \$4,231 (2015 - \$8,824) was transferred to the Capital Asset Fund from the Unrestricted Fund to offset net capital asset amortization and additions. 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'S KIDS SOCIETY**

## **Notes to Financial Statements**

**Year Ended December 31, 2016**

*(Unaudited)*

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### **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.

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