

**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY**

**Financial Statements**

**Year Ended December 31, 2019**

DocuSigned by:

*Meriya Dyble*

2020-06-18 | 11:23 AM MDT

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Chair, Board of Directors

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Treasurer



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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Brown Bagging for Calgary Street Kids Society

### *Qualified Opinion*

We have audited the financial statements of Brown Bagging for Calgary Street Kids Society (the Society), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, current assets and net assets as at December 31, 2019. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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Independent Auditor's Report to the Members of Brown Bagging for Calgary Street Kids Society *(continued)*

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Adams MacFarlane***

Calgary, Alberta  
May 18, 2020

Chartered Professional Accountants

**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY****Statement of Financial Position****December 31, 2019**

	2019	2018 <i>(Unaudited)</i>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 436,726	\$ 258,792
Restricted casino cash <i>(Note 3)</i>	31,890	2,683
Marketable securities	267,632	201,401
Accounts receivable	111,221	52,237
Goods and services tax recoverable	6,627	4,302
Prepaid expenses	19,182	9,235
Gift cards	31,688	29,003
	<u>904,966</u>	557,653
<b>Investments - term deposits</b>	-	21,478
<b>Property and equipment <i>(Note 4)</i></b>	<u>47,814</u>	48,531
	<u>\$ 952,780</u>	<u>\$ 627,662</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 65,787	\$ 35,972
Deferred casino revenue <i>(Note 3)</i>	31,890	2,683
	<u>97,677</u>	38,655
<b>Net Assets</b>		
Internally restricted	50,000	50,000
Invested in capital assets	47,814	48,531
Unrestricted	757,289	490,476
	<u>855,103</u>	589,007
	<u>\$ 952,780</u>	<u>\$ 627,662</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, 2019**

	2019	2018 <i>(Unaudited)</i>
<b>Revenues</b>		
Donations	\$ 2,014,905	\$ 1,296,943
Casino <i>(Note 3)</i>	38,165	4,619
Other income	17,892	4,218
	<u>2,070,962</u>	<u>1,305,780</u>
<b>Expenses</b>		
Kitchen costs	587,826	531,962
Admin costs	479,165	358,331
Community costs	420,981	415,375
Marketing and advertising	289,895	179,737
Office	43,576	31,897
Amortization	10,088	8,510
	<u>1,831,531</u>	<u>1,525,812</u>
<b>Excess (deficiency) of revenues over expenses from operations</b>	<u>239,431</u>	<u>(220,032)</u>
<b>Other income (expenses)</b>		
Unrealized gain (loss) on marketable securities	20,187	(6,737)
Dividend income	4,616	3,452
Gain on sale of marketable securities	3,595	8,044
Interest income	1,861	2,853
Investment management fees	(3,594)	(4,034)
	<u>26,665</u>	<u>3,578</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ 266,096</u>	<u>\$ (216,454)</u>

**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY****Statement of Changes in Net Assets****Year Ended December 31, 2019**

	Unrestricted	Internally restricted	Invested in capital assets	<b>2019</b>	2018 <i>(Unaudited)</i>
<b>Net assets - beginning of year</b>	\$ 490,476	\$ 50,000	\$ 48,531	\$ <b>589,007</b>	\$ 805,461
<b>Excess of revenues over expenses</b>	266,813	-	(717)	<b>266,096</b>	(216,454)
<b>Net assets - end of year</b>	\$ 757,289	\$ 50,000	\$ 47,814	\$ <b>855,103</b>	\$ 589,007

**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY****Statement of Cash Flows  
Year Ended December 31, 2019**

	2019	2018 <i>(Unaudited)</i>
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ 266,096	\$ (216,454)
Items not affecting cash:		
Amortization of property and equipment	10,088	8,510
Write-down (write up) of marketable securities	(20,187)	6,737
	<u>255,997</u>	<u>(201,207)</u>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	(58,984)	7,837
Gift cards	(2,685)	6,241
Prepaid expenses	(9,947)	(1,763)
Accounts payable and accrued liabilities	29,814	(46,932)
Goods and services tax payable	(2,325)	(170)
Deferred casino revenue	29,207	(4,619)
	<u>(14,920)</u>	<u>(39,406)</u>
<b>Cash flow from (used by) operating activities</b>	<u>241,077</u>	<u>(240,613)</u>
<b>Investing activities</b>		
Purchase of property and equipment	(9,370)	2,860
Reinvestment of earnings into marketable securities	(6,044)	(9,691)
Cash investment into marketable securities	(40,000)	-
Redemption of marketable securities	-	130,000
Redemption of term deposit	21,478	-
	<u>(33,936)</u>	<u>123,169</u>
<b>Cash flow from (used by) investing activities</b>	<u>(33,936)</u>	<u>123,169</u>
<b>Increase (decrease) in cash flow</b>	<u>207,141</u>	<u>(117,444)</u>
<b>Cash - beginning of year</b>	<u>261,475</u>	<u>378,919</u>
<b>Cash - end of year</b>	<u>\$ 468,616</u>	<u>\$ 261,475</u>
<b>Cash consists of:</b>		
Cash	\$ 436,726	\$ 258,792
Restricted casino cash	<u>31,890</u>	<u>2,683</u>
	<u>\$ 468,616</u>	<u>\$ 261,475</u>

See notes to financial statements

**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY****Notes to Financial Statements****Year Ended December 31, 2019****1. PURPOSE OF THE SOCIETY**

Brown Bagging for Calgary Street Kids Society (the "Society") is a not-for-profit organization incorporated provincially on September 22, 2000 under the Societies Act of Alberta. As a registered charity the society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

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.

Property and equipment

Property and equipment is recorded at cost and contributed property and equipment is recorded at fair market value at the date of the contribution. These assets are amortized at rates calculated to amortize the cost of the property and equipment over their estimated useful lives at the following rates and methods:

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

The society regularly reviews its property and equipment to eliminate obsolete items.

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.

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**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY****Notes to Financial Statements****Year Ended December 31, 2019****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 which 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

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, restricted casino cash, and donations receivable.

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

The marketable securities 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 Alberta Gaming & Liquor Commission and the contract entered into by the Society. The following represents the continuity of restricted revenue that has been deferred:

	<b>2019</b>	2018 <i>(Unaudited)</i>
Casino cash balance and deferred revenue at beginning of year	\$ 2,683	\$ 7,302
Received on completion of its casino during the year	<b>70,055</b>	-
Received as donations from other not-for-profit organizations	<b>99,364</b>	45,000
Prior year amounts transferred from the General bank account to the Casino bank account	<b>69,400</b>	-
Interest income earned on Casino bank account	<b>41</b>	-
Bank charges paid from Casino bank account	<b>(176)</b>	-
Casino advisor fees paid	<b>(2,351)</b>	-
Amounts expended on program delivery (Approved Use of Proceeds)	<b>(207,126)</b>	(49,619)
Casino cash balance and deferred revenue at the end of the year	<b>\$ 31,890</b>	\$ 2,683

**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY****Notes to Financial Statements****Year Ended December 31, 2019****4. PROPERTY AND EQUIPMENT**

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Kitchen equipment	\$ 60,042	\$ 36,851	\$ 23,191	\$ 25,768
Office equipment	18,866	9,723	9,143	4,139
Motor vehicles	60,206	59,730	476	680
Computer equipment	27,290	24,089	3,201	3,286
System software	17,109	5,306	11,803	14,658
	<u>\$ 183,513</u>	<u>\$ 135,699</u>	<u>\$ 47,814</u>	<u>\$ 48,531</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 a monthly rental payment of \$1,435.
2. The kitchen lease is contracted between the Society and Calgary Housing Company (the "Landlord"), and is for one year, from January 1, 2020 to December 31, 2020. 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.

**7. FINANCIAL INSTRUMENTS**

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as at December 31, 2019.

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.

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**BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY****Notes to Financial Statements****Year Ended December 31, 2019**

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**7. FINANCIAL INSTRUMENTS (continued)**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 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Society is mainly exposed to other price risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The society is exposed to other price risk through its investment in quoted shares. The risk reduced to a minimum since the Society mitigates the risk by regularly rebalancing its portfolio and investing in the Canadian financial sector.

Unless otherwise noted, it is management's opinion that the society is not exposed to significant other price risks arising from these financial instruments.

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**8. SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is uncertain the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the company's operations as at the date of these financial statements.

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**9. COMPARATIVE FIGURES**

The prior year comparative figures were reviewed.

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