

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Financial Statements

Year Ended December 31, 2020

INDEPENDENT AUDITOR'S REPORT

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, 2020, and the statements of operations, 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, 2020, 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, 2020, current assets and net assets as at December 31, 2020. Our audit opinion on the financial statements for the year ended December 31, 2019 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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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
June 8, 2021

Chartered Professional Accountants

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY**Statement of Financial Position****As at December 31, 2020**

	2020	2019
Assets		
Current		
Cash	\$ 713,666	\$ 436,726
Restricted casino cash (Note 6)	13,090	31,890
Term deposits (Note 4)	100,000	-
Investments (Note 3)	392,767	267,632
Gift cards	214,359	31,688
Accounts receivable	104,145	111,221
Goods and services tax recoverable	7,110	6,627
Prepaid expenses	9,695	19,182
	<u>1,554,832</u>	<u>904,966</u>
Property and equipment (Note 5)	<u>38,341</u>	<u>47,814</u>
	<u>\$ 1,593,173</u>	<u>\$ 952,780</u>
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 28,660	\$ 65,787
Deferred casino revenue (Note 6)	13,090	31,890
	<u>41,750</u>	<u>97,677</u>
Net Assets		
Internally restricted (Note 8)	50,000	50,000
Invested in capital assets	38,341	47,814
Unrestricted	1,463,082	757,289
	<u>1,551,423</u>	<u>855,103</u>
	<u>\$ 1,593,173</u>	<u>\$ 952,780</u>

Lease commitments (Note 7)**ON BEHALF OF THE BOARD**Cecilia Lee _____ *Director*Mark Wills _____ *Director*

See notes to financial statements

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY**Statement of Operations****For the Year Ended December 31, 2020**

	2020	2019
Revenues		
Donations	\$ 3,085,670	\$ 2,014,905
Government grants	450,000	-
Casino <i>(Note 6)</i>	56,508	38,165
Other income	1,200	17,892
	<u>3,593,378</u>	<u>2,070,962</u>
Expenses		
Community costs	1,446,548	420,981
Admin costs	724,312	479,165
Kitchen costs	349,202	587,826
Marketing and advertising	346,642	289,895
Office	45,964	43,576
Amortization	9,473	10,088
	<u>2,922,141</u>	<u>1,831,531</u>
Excess of revenues over expenses from operations	<u>671,237</u>	<u>239,431</u>
Other income (expenses)		
Unrealized gain on investments	10,724	20,187
Gain on sale of investments	9,961	3,595
Dividend income	7,587	4,616
Interest income	2,042	1,861
Investment management fees	(5,231)	(3,594)
	<u>25,083</u>	<u>26,665</u>
Excess of revenues over expenses	<u>\$ 696,320</u>	<u>\$ 266,096</u>

See notes to financial statements

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Statement of Changes in Net Assets

For the Year Ended December 31, 2020

	Unrestricted	Internally restricted	Invested in capital assets	2020	2019
Net assets - beginning of year	\$ 757,289	\$ 50,000	\$ 47,814	\$ 855,103	\$ 589,007
Excess of revenues over expenses	705,793	-	(9,473)	696,320	266,096
Net assets - end of year	\$ 1,463,082	\$ 50,000	\$ 38,341	\$ 1,551,423	\$ 855,103

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY**Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
Operating activities		
Excess of revenues over expenses	\$ 696,320	\$ 266,096
Items not affecting cash:		
Amortization of property and equipment	9,473	10,088
Write-down (write up) of marketable securities	(10,724)	(20,187)
	<u>695,069</u>	<u>255,997</u>
Changes in non-cash working capital:		
Accounts receivable	7,076	(58,984)
Gift cards	(182,671)	(2,685)
Prepaid expenses	9,487	(9,947)
Accounts payable and accrued liabilities	(37,126)	29,814
Goods and services tax payable	(483)	(2,325)
Deferred casino revenue	(18,800)	29,207
	<u>(222,517)</u>	<u>(14,920)</u>
Cash flow from operating activities	<u>472,552</u>	<u>241,077</u>
Investing activities		
Purchase of property and equipment	-	(9,370)
Reinvestment of earnings into marketable securities	(13,762)	(6,044)
Cash investment into marketable securities	(100,650)	(40,000)
Redemption of marketable securities	-	-
Redemption of term deposit	-	21,478
Purchase of term deposit	(100,000)	-
	<u>(214,412)</u>	<u>(33,936)</u>
Cash flow used by investing activities	<u>(214,412)</u>	<u>(33,936)</u>
Increase in cash flow	<u>258,140</u>	<u>207,141</u>
Cash - beginning of year	<u>468,616</u>	<u>261,475</u>
Cash - end of year	<u>\$ 726,756</u>	<u>\$ 468,616</u>
Cash consists of:		
Cash	\$ 713,666	\$ 436,726
Restricted casino cash	13,090	31,890
	<u>\$ 726,756</u>	<u>\$ 468,616</u>

See notes to financial statements

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

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, 2020

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, donations receivable and term deposits.

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

The investments are carried at fair market value.

3. INVESTMENTS

The Society opened an investment account with The Calgary Foundation; the Society retains control over amounts invested with the Calgary Foundation.

	<u>2020</u>	<u>2019</u>
Balance - beginning of the year	\$ 267,632	\$ 201,400
Contributions	100,650	40,000
Withdrawals	-	-
Investment income	18,993	9,638
Investment management fees	(5,231)	(3,593)
	<u>382,044</u>	<u>247,445</u>
Unrealized gain	10,723	20,187
Ending balance at end of the year at fair value	<u>\$ 392,767</u>	<u>\$ 267,632</u>

4. TERM DEPOSITS

	<u>2020</u>	<u>2019</u>
Term deposits	<u>\$ 100,000</u>	<u>\$ -</u>

Term deposits bear an interest rate of 0.34% maturing on February 11, 2021

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Kitchen equipment	\$ 60,042	\$ 39,170	\$ 20,872	\$ 23,191
Office equipment	18,866	11,551	7,315	9,143
Motor vehicles	60,206	59,873	333	476
Computer equipment	27,290	25,850	1,440	3,201
System software	17,109	8,728	8,381	11,803
	<u>\$ 183,513</u>	<u>\$ 145,172</u>	<u>\$ 38,341</u>	<u>\$ 47,814</u>

6. 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:

	2020	2019
Casino cash balance and deferred revenue at beginning of year	\$ 31,890	\$ 2,683
Received on completion of its casino during the year	-	70,055
Received as donations from other not-for-profit organizations	37,228	99,364
Prior year amounts transferred from the General bank account to the Casino bank account	305	69,400
Interest income earned on Casino bank account	3	41
Bank charges paid from Casino bank account	(154)	(176)
Casino advisor fees paid	-	(2,351)
Amounts expended on program delivery (Approved Use of Proceeds)	<u>(56,182)</u>	<u>(207,126)</u>
Casino cash balance and deferred revenue at the end of the year	<u>\$ 13,090</u>	<u>\$ 31,890</u>

7. LEASE COMMITMENTS

The Society manages its operations from leased premises as follows:

The office lease is a month-to-month lease commencing March 1, 2008 with a monthly rental payment of \$715.

The prior kitchen lease, contracted between the Society and Calgary Housing Company (the "Landlord"), was cancelled as the premises could not be assured to be suitable for food preparation services with proper social distancing protocols. The lease was from January 1, 2020 to December 31, 2020. Payment of all utilities, except telephone and maintenance of the kitchen, was the responsibility of the Landlord. The lease agreement had 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.

As a result, the Society leased alternate premises at the ATCO Blue Flame Kitchen. Pursuant to a Downtown Calgary Facility Rental Contract dated September 9, 2020, the Society leased the premises for a flat fee of \$8,000 plus applicable taxes for the period September 14, 2020 to December 31, 2020. On November 13, 2020, the Society entered into a second Downtown Calgary Facility Rental Contract for the rental period January 4, 2021 to June 30, 2021 for the sum of \$10,000 plus applicable taxes.

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

Year Ended December 31, 2020

8. 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.

9. 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, 2020.

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.

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.

BROWN BAGGING FOR CALGARY STREET KIDS SOCIETY

Notes to Financial Statements

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10. ONGOING - COVID-19

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.

Signature: *C. Lee*
Cecilia Lee (Jun 28, 2021 18:21 MDT)

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Signature: *Mark wills*
Mark wills (Jun 28, 2021 19:20 MDT)

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