

# **Brown Bagging for Calgary Street Kids Society**

## **Financial Statements**

**August 31, 2022**



## **Independent Auditors' 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, which comprise the statement of financial position as at August 31, 2022 and the statements of operations, changes in net assets and cash flows for the period 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 Brown Bagging for Calgary Street Kids Society as at August 31, 2022, and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Society derives revenue from donations, 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 and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, current assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the 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 opinion.

## **Independent Auditors' Report (Continued)**

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 to do so.

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

### **Auditors' 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 auditors' 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.

**Independent Auditors' Report (Continued)**

- 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 auditors' 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 auditors' 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.

*Chow Connolly LLP*

Chartered Professional Accountants

Calgary, Canada  
December 20, 2022

# Brown Bagging for Calgary Street Kids Society

## Statement of Financial Position

August 31, 2022

|  | Note | August 31,<br>2022  | December 31,<br>2021 |
|--|------|---------------------|----------------------|
| <b>Assets</b>                            |      |                     |                      |
| <b>Current Assets</b>                    |      |                     |                      |
| Cash                                     |      | \$ 1,075,683        | \$ 1,194,853         |
| Restricted casino cash                   |      | 51,490              | 100,843              |
| Investments                              | 3.   | 627,015             | 520,939              |
| Gift cards                               |      | 59,077              | 39,073               |
| Accounts receivable                      | 4.   | 11,465              | 113,373              |
| Goods and services tax recoverable       |      | 13,179              | 7,195                |
| Prepaid expenses                         |      | 18,136              | 22,376               |
| <b>Total Current Assets</b>              |      | <b>1,856,045</b>    | <b>1,998,652</b>     |
| Property and equipment                   | 5.   | 42,125              | 42,207               |
| <b>Total Assets</b>                      |      | <b>\$ 1,898,170</b> | <b>\$ 2,040,859</b>  |
| <b>Liabilities and Net Assets</b>        |      |                     |                      |
| <b>Current Liabilities</b>               |      |                     |                      |
| Accounts payable and accrued liabilities | 6.   | \$ 83,508           | \$ 72,573            |
| Deferred cash contributions              | 7.   | 50,396              | 109,843              |
| <b>Total Liabilities</b>                 |      | <b>133,904</b>      | <b>182,416</b>       |
| <b>Net Assets</b>                        |      |                     |                      |
| Internally restricted                    | 8.   | 50,000              | 50,000               |
| Invested in property and equipment       |      | 42,125              | 42,207               |
| Unrestricted                             |      | 1,672,141           | 1,766,236            |
| <b>Total Net Assets</b>                  |      | <b>1,764,266</b>    | <b>1,858,443</b>     |
| <b>Total Liabilities and Net Assets</b>  |      | <b>\$ 1,898,170</b> | <b>\$ 2,040,859</b>  |

Commitments (Note 11)

Approved on Behalf of the Board:

Cecilia Lee, Director

[Signature], Director

The accompanying notes are an integral part of these financial statements.

# Brown Bagging for Calgary Street Kids Society

## Statement of Operations

For the Period Ended August 31, 2022

|   | Note | Eight month<br>period ended<br>August 31,<br>2022 | Twelve month<br>period ended<br>December 31,<br>2021 |
|---|------|---|--|
| <b>Revenue</b>  |      |   |  |
| Donations   |      | \$ 1,531,948                                      | \$ 2,703,191   |
| Casino  |      | 96,628  | 83,284   |
| Grants  |      | 6,000   | 60,000   |
| Government grants and subsidies                                     | 10.  | 5,544   | 94,514   |
| <b>Total Revenue</b>  |      | <b>1,640,120</b>                                  | <b>2,940,989</b>                                     |
| <b>Expenses</b>   |      |   |  |
| Kitchen costs   |      | 497,495   | 500,540  |
| Community costs   |      | 492,645   | 1,126,665  |
| Administrative costs  |      | 362,459   | 638,756  |
| Strategy and Marketing  |      | 308,820   | 384,907  |
| Office  |      | 22,149  | 31,571   |
| Amortization  |      | 7,672   | 9,071  |
| <b>Total Expenses</b>   |      | <b>1,691,240</b>                                  | <b>2,691,510</b>                                     |
| <b>(Deficiency) Excess of Revenue Over Expenses From Operations</b> |      | <b>(51,120)</b>                                   | <b>249,479</b>                                       |
| <b>Other Income and Expenses</b>                                    |      |   |  |
| Unrealized gain (loss) on investments                               |      | (44,693)  | 32,923   |
| Gains on sale of investments  |      | 1,753   | 19,348   |
| Dividend income   |      | 2,805   | 11,250   |
| Interest income   |      | 2,412   | 2,106  |
| Investment management fees  |      | (5,334)   | (7,025)  |
| Loss on disposal of property and equipment                          |      | -   | (1,061)  |
| <b>Total Other Income and Expenses</b>                              |      | <b>(43,057)</b>                                   | <b>57,541</b>  |
| <b>(Deficiency) Excess of Revenues Over Expenses</b>                |      | <b>\$ (94,177)</b>                                | <b>\$ 307,020</b>                                    |

The accompanying notes are an integral part of these financial statements.

# Brown Bagging for Calgary Street Kids Society

## Statement of Changes in Net Assets

For the Period Ended August 31, 2022

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|   | Unrestricted        | Internally Restricted | Invested in Property and Equipment | August 31, 2022     | December 31, 2021   |
|---|---------------------|-----------------------|------------------------------------|---------------------|---------------------|
| Net Assets, Beginning of Period               | \$ 1,766,236        | \$ 50,000             | \$ 42,207                          | \$ 1,858,443        | \$ 1,551,423        |
| (Deficiency) excess of revenues over expenses | (86,505)            | -                     | (7,672)                            | (94,177)            | 307,020             |
| Net additions to property and equipment       | (7,590)             | -                     | 7,590                              | -                   | -                   |
| <b>Net Assets, End of Period</b>              | <b>\$ 1,672,141</b> | <b>\$ 50,000</b>      | <b>\$ 42,125</b>                   | <b>\$ 1,764,266</b> | <b>\$ 1,858,443</b> |

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The accompanying notes are an integral part of these financial statements.

# Brown Bagging for Calgary Street Kids Society

## Statement of Cash Flows

For the Period Ended August 31, 2022

|   | Eight Month<br>Period Ended<br>August 31,<br>2022 | Twelve Month<br>Period Ended<br>December 31,<br>2021 |
|---|---|--|
| <b>Operating Activities</b>                             |   |  |
| (Deficiency) excess of revenues over expenses           | \$ (94,177)                                       | \$ 307,020   |
| <b>Items Not Affecting Cash:</b>                        |   |  |
| Amortization of property and equipment                  | 7,672   | 9,071  |
| Loss on disposal of property and equipment              | -   | 1,061  |
| Unrealized loss (gain) on investments                   | 44,693  | (32,923)   |
|   | (41,812)  | 284,229  |
| <b>Changes In Non-Cash Working Capital:</b>             |   |  |
| Accounts receivable                                     | 101,908   | (9,228)  |
| Gift cards  | (20,004)  | 175,286  |
| Prepaid expenses  | 4,240   | (12,681)   |
| Accounts payable and accrued liabilities                | 10,935  | 43,913   |
| Goods and services tax recoverable                      | (5,984)   | (85)   |
| Deferred casino revenue                                 | (53,447)  | 90,753   |
| Deferred contributions                                  | (6,000)   | 6,000  |
| <b>Cash From (Used In) Operating Activities</b>         | <b>(10,164)</b>                                   | <b>578,187</b>                                       |
| <b>Investing Activities</b>                             |   |  |
| Purchases of property and equipment                     | (7,590)   | (20,098)   |
| Proceeds from disposition of property and equipment     | -   | 6,100  |
| Net reinvestment of earnings into investments           | (769)   | (25,249)   |
| Cash contribution into investments                      | (150,000)   | (70,000)   |
| Redemption of term deposit                              | -   | 100,000  |
| <b>Cash Used by Investing Activities</b>                | <b>(158,359)</b>                                  | <b>(9,247)</b>                                       |
| <b>(Decrease) Increase in Cash and Cash Equivalents</b> | <b>(168,523)</b>                                  | <b>568,940</b>                                       |
| Cash and cash equivalents, beginning of period          | 1,295,696   | 726,756  |
| <b>Cash and Cash Equivalents, End of Period</b>         | <b>\$ 1,127,173</b>                               | <b>\$ 1,295,696</b>                                  |
| Cash and cash equivalents consist of the following:     |   |  |
| Cash  | \$ 1,075,683                                      | \$ 1,194,853   |
| Restricted casino cash                                  | 51,490  | 100,843  |
| <b>Total Cash and Cash Equivalents</b>                  | <b>\$ 1,127,173</b>                               | <b>\$ 1,295,696</b>                                  |

The accompanying notes are an integral part of these financial statements.

# Brown Bagging for Calgary Street Kids Society

## Notes to the Financial Statements

For the Period Ended August 31, 2022

### 1. Nature of Operations

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 Society received approval from Canada Revenue Agency to change the year end to August 31 starting in 2022.

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. Significant Accounting Policies

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit organizations (ASNPO) in Part III of the CPA Canada Handbook. The Society's significant accounting policies are summarized below:

#### a. Cash and Cash Equivalents

Cash and cash equivalents includes balances with banks and short-term investments with a maturity date of three months or less from the acquisition date. These are valued at cost which approximates market value. There were no cash equivalents at August 31, 2022 or December 31, 2021.

#### b. Restricted Cash

The Society receives contributions for specific expenditures. As a result, this cash is restricted for use on certain operational expenditures and is not available for general use.

#### c. Property and Equipment

Property and equipment is recorded at cost less accumulated amortization and contributed property and equipment is recorded at fair market value at the date of the contribution. Amortization is calculated using the following methods and rates:

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

When conditions indicate property and equipment is impaired, the carrying value of the property and equipment is written down to the asset's fair value or replacement cost. The write-down of property and equipment is recorded as an expense in the statement of operations. A write-down shall not be reversed.

# Brown Bagging for Calgary Street Kids Society

## Notes to the Financial Statements

For the Period Ended August 31, 2022

### 2. Significant Accounting Policies (Continued)

#### d. 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 or if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest and investment income are recorded as income is earned.

#### e. Government Assistance

Government assistance is recognized as income in the year the related qualifying expenses are incurred and the amount can be reasonably estimated and collection is reasonably assured.

#### f. 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.

#### g. 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. Changes in fair value are recognized in the statement of operations. 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 accounts receivable.

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

The investments are measured at fair market value.

#### h. Measurement Uncertainty

The preparation of financial statements in conformity with ASNPO 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. Actual results could differ from these estimates and may have impact on future periods. Significant estimates in the financial statements are the collectability of accounts receivable, fair market value of investments, estimated useful lives of property and equipment, and accrual of liabilities.

# Brown Bagging for Calgary Street Kids Society

## Notes to the Financial Statements

For the Period Ended August 31, 2022

### 3. Investments

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

|                                 | August 31,<br>2022 | December 31,<br>2021 |
|---------------------------------|--------------------|----------------------|
| Fair value, beginning of period | \$ 520,939         | \$ 392,767           |
| Contributions                   | 150,000            | 70,000               |
| Withdrawals                     | -                  | -                    |
| Investment income               | 6,103              | 32,274               |
| Investment management fees      | (5,334)            | (7,025)              |
| Subtotal                        | 671,708            | 488,016              |
| Unrealized gain (loss)          | (44,693)           | 32,923               |
| Fair value, end of period       | \$ 627,015         | \$ 520,939           |

### 4. Accounts Receivable

|                | August 31,<br>2022 | December 31,<br>2021 |
|----------------|--------------------|----------------------|
| Donations      | \$ 8,191           | \$ 109,413           |
| Trade          | 990                | 2,500                |
| Vendor rebates | 2,284              | 1,460                |
| Total          | \$ 11,465          | \$ 113,373           |

### 5. Property and Equipment

|                    |            |                             | August 31,<br>2022 | December 31,<br>2021 |
|--------------------|------------|-----------------------------|--------------------|----------------------|
|                    | Cost       | Accumulated<br>Depreciation | Net Book<br>Value  | Net Book<br>Value    |
| Kitchen equipment  | \$ 34,825  | \$ (15,048)                 | \$ 19,777          | \$ 21,190            |
| Office equipment   | 18,866     | (13,794)                    | 5,072              | 5,852                |
| Computer equipment | 35,321     | (29,227)                    | 6,094              | 2,415                |
| System software    | 27,766     | (16,584)                    | 11,182             | 12,750               |
| Total              | \$ 116,778 | \$ (74,653)                 | \$ 42,125          | \$ 42,207            |

# Brown Bagging for Calgary Street Kids Society

## Notes to the Financial Statements

For the Period Ended August 31, 2022

### 6. Accounts Payable and Accrued Liabilities

|  | August 31,<br>2022 | December 31,<br>2021 |
|--|--------------------|----------------------|
| Trade accounts payable and accrued liabilities | \$ 68,220          | \$ 48,285            |
| Vacation payable                               | 15,288             | 24,288               |
| Total  | \$ 83,508          | \$ 72,573            |

### 7. Deferred Cash Contributions

|  | August 31,<br>2022 | December 31,<br>2021 |
|--|--------------------|----------------------|
| Restricted casino cash and casino receivable | \$ 50,396          | \$ 103,843           |
| Other restricted donations                   | -                  | 6,000                |
| Total  | \$ 50,396          | \$ 109,843           |

|  | August 31,<br>2022 | December 31,<br>2021 |
|--|--------------------|----------------------|
| Balance, beginning of period                                 | \$ 109,843         | \$ 103,843           |
| Additions - casino   | 43,181             | 83,284               |
| Additions - restricted grant                                 | -                  | 60,000               |
| Amounts recognized as revenue in the year - casino           | (96,628)           | (83,284)             |
| Amounts recognized as revenue in the year - restricted grant | (6,000)            | (54,000)             |
| Balance, end of period                                       | \$ 50,396          | \$ 109,843           |

### 8. Internally Restricted Funds

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 the Financial Statements

For the Period Ended August 31, 2022

### 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 August 31, 2022.

#### a. 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.

#### b. 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 continuously monitors its financial results to ensure it can fund its financial liabilities through its existing working capital.

#### c. 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 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 is reduced to a minimum since the Society mitigates the risk by regularly rebalancing its portfolio.

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 the Financial Statements

For the Period Ended August 31, 2022

### 10. Government Assistance

The Society received the Canada Emergency Wage Subsidy as part of the COVID-19 relief initiatives provided by the Federal government. During the period ended August 31, 2022, the Society was entitled to and received \$Nil (December 31, 2021 - \$94,514). The Society has maintained compliance with all requirements under the Canada Emergency Wage Subsidy program to be eligible to receive payments.

During the period ended August 31, 2022, the Society received the Alberta Jobs Now Grant of \$5,544 (December 31, 2021 - \$Nil).

### 11. Commitments

The Society occupies office space in Calgary under a lease agreement ending August 31, 2026 and has engaged a strategic advisor to December 2024 as part of a grant agreement. Under the terms of the lease agreement, future minimum lease payments, exclusive of occupancy costs, and strategic advisor fees are as follows for each fiscal year:

|       |    |        |
|-------|----|--------|
| 2023  | \$ | 19,223 |
| 2024  |    | 12,389 |
| 2025  |    | 4,556  |
| 2026  |    | 4,556  |
| Total | \$ | 40,724 |

### 12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.