

Financial Statements of

THE ROBB NASH PROJECT INC.

August 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Robb Nash Project Inc.

We have audited the accompanying financial statements of The Robb Nash Project Inc., which comprise the balance sheet as at August 31, 2017, the statements of operations, changes in net assets and cash flows for year then ended and the notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Robb Nash Project Inc. as at August 31, 2017, 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.

The signature is a stylized, handwritten-style representation of the word "Deloitte" followed by the letters "LLP". The "D" is large and loops around the "e" and "l". The "LLP" is written in a smaller, simpler font.

Chartered Professional Accountants

January 26, 2018
Winnipeg, Manitoba

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THE ROBB NASH PROJECT INC.

Statement of Operations

Year Ended August 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUE		
Concert revenue	\$ -	\$ 18,915
Donations	759,911	704,926
Amortization of deferred contributions		
Capital	19,050	30,389
Operating	99,998	34,992
Gain on sale of fixed assets	122,339	1,000
Other	1,014	2,384
	<u>1,002,312</u>	<u>792,606</u>
EXPENSES		
Operating - Schedule	806,311	716,870
Amortization of capital assets	30,135	30,389
	<u>836,446</u>	<u>747,259</u>
NET INCOME FOR THE YEAR	<u>\$ 165,866</u>	<u>\$ 45,347</u>

THE ROBB NASH PROJECT INC.
Statement of Changes in Net Assets
Year Ended August 31, 2017

	2017		
	Invested in Capital Assets	Unrestricted Deficit	Total
Balance, beginning of year	\$ 22,834	\$ (194,461)	\$ (171,627)
Net income for the year	111,254	54,612	165,866
Investment in capital assets	(129,322)	129,322	-
Balance, end of year	\$ 4,766	\$ (10,527)	\$ (5,761)

	2016		
	Invested in Capital Assets	Unrestricted Deficit	Total
Balance, beginning of year	\$ 909	\$ (217,883)	\$ (216,974)
Net income for the year	1,000	44,347	45,347
Investment in capital assets	20,925	(20,925)	-
Balance, end of year	\$ 22,834	\$ (194,461)	\$ (171,627)

THE ROBB NASH PROJECT INC.

Balance Sheet

August 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash	\$ 139,674	\$ 23,318
Accounts receivable	26,252	-
Government remittances	3,101	2,807
	169,027	26,125
<hr/>		
CAPITAL ASSETS (Note 3)	4,766	205,150
	\$ 173,793	\$ 231,275
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LIABILITIES		
CURRENT		
Accounts payable	\$ 6,738	\$ 26,359
Loans payable (Note 4)	-	184,679
Deferred contributions - Operations (Note 5)	9,550	9,548
	16,288	220,586
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DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 5)	163,266	182,316
	179,554	402,902
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COMMITMENT (Note 8)		
CAPITAL DEFICIENCY		
Invested in capital assets (Note 6)	4,766	22,834
Deficit	(10,527)	(194,461)
	(5,761)	(171,627)
	\$ 173,793	\$ 231,275
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J. Hubert Director
J. Paspa Director

THE ROBB NASH PROJECT INC.**Statement of Cash Flows**

Year Ended August 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Net income for the year	\$ 165,866	\$ 45,347
Items not affecting cash:		
Amortization of capital assets	30,135	30,389
Amortization of deferred contributions - capital	(19,050)	(30,389)
Amortization of deferred contributions - operating	(99,998)	(34,992)
Gain on disposal of capital assets	(122,339)	(1,000)
	<u>(45,386)</u>	9,355
Changes in non-cash operating working capital items:		
Accounts receivable	(26,252)	-
Government remittances	(294)	(1,630)
Accounts payable	(19,621)	21,550
	<u>(91,553)</u>	29,275
FINANCING ACTIVITIES		
Repayment of loans payable	(184,679)	(36,607)
Deferred contributions received - capital assets	-	50,000
Deferred contributions received - operating	100,000	36,000
	<u>(84,679)</u>	49,393
INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	293,760	1,000
Purchase of capital assets	(1,172)	(71,925)
	<u>292,588</u>	(70,925)
NET INCREASE IN CASH POSITION	116,356	7,743
CASH POSITION, BEGINNING OF YEAR	23,318	15,575
CASH POSITION, END OF YEAR	\$ 139,674	\$ 23,318

THE ROBB NASH PROJECT INC.

Notes to the Financial Statements

August 31, 2017

1. INCORPORATION

The Robb Nash Project Inc. (the "Organization") was incorporated without share capital on February 14, 2012. The Organization is principally involved in providing a rock concert experience geared towards helping young people. The Organization is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) *Revenue recognition*

The Organization follows the deferral method of accounting for contributions. 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. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

The Organization recognizes other revenue when persuasive evidence of an arrangement exists, delivery of the service has occurred, the price to the buyer is fixed or determinable and collection is reasonably assured. Included in donations is \$24,750 of in-kind contributions related to fuel.

b) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

Tour bus	10%
Bus shelter	30%
Equipment	3 years
Trailer	20%

c) *Impairment of long-lived assets*

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. Investments are measured at fair value.

Transaction costs related to financial instruments are measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations and changes in net assets.

With respect to financial assets measured at cost or amortized cost, the Organization recognizes in the statement of operations, an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

e) Use of estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The area requiring the use of significant estimates relates to the useful life of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. FIXED ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Tour bus	\$ -	\$ -	\$ -	\$ 186,761
Bus shelter	13,885	13,885	-	-
Equipment	24,156	19,390	4,766	6,157
Trailer	-	-	-	12,232
	\$ 38,041	\$ 33,276	\$ 4,766	\$ 205,150

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2017

4. LOANS PAYABLE

	<u>2017</u>	<u>2016</u>
Loan from Kesitah Inc. up to \$250,000, bearing interest at prime, to be repaid as the borrower sees fit until the lender has provided written notice of demand. The balance owing is then due within 30 days. Security provided by a General Security Agreement.	\$ -	\$ 184,679

During the year, \$3,779 (2015 - \$4,874) of interest was paid to Kesitah Inc. on the loan.

5. DEFERRED CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
Related to Operations		
Balance, beginning of year	\$ 9,548	\$ 8,540
Add: contributions received	100,000	36,000
Less: amounts amortized to revenue	(99,998)	(34,992)
	<u>\$ 9,550</u>	<u>\$ 9,548</u>
Related to Capital Assets		
Balance, beginning of year	\$ 182,316	\$ 162,705
Add: contributions received	-	50,000
Less: amounts amortized to revenue	(19,050)	(30,389)
Less: transfer to Future Assets	(163,266)	-
	<u>\$ -</u>	<u>\$ 182,316</u>
Related to Future Assets		
Balance, beginning of year	\$ -	\$ -
Add: transfer from Capital Assets	163,266	-
	<u>\$ 163,266</u>	<u>\$ -</u>

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2017

6. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	<u>2017</u>	<u>2016</u>
Capital assets	\$ 4,766	\$ 205,150
Amounts financed by deferred contributions	-	(182,316)
	<u>\$ 4,766</u>	<u>\$ 22,834</u>

b) Changes in net assets invested in capital assets is calculated as follows:

	<u>2017</u>	<u>2016</u>
Amortization of deferred contributions related to capital assets	\$ 19,050	\$ 30,389
Amortization of capital assets	(30,135)	(30,389)
Gain on disposal of capital assets	122,339	1,000
	<u>111,254</u>	<u>1,000</u>
Deferred contributions received – capital assets	-	(50,000)
Purchase of capital assets	1,172	71,925
Proceeds on disposal of capital assets	(293,760)	(1,000)
Transfer to Invested in future assets	163,266	-
	<u>\$ (18,068)</u>	<u>\$ 21,925</u>

7. RELATED PARTY TRANSACTIONS

The Chief Executive Officer of The Robb Nash Project Inc. is the President of Kesitah Inc. and Executive Director of The HIS Foundation. Loan transactions with these related parties and amounts due to these related parties have been disclosed in notes to these financial statements. These transactions are measured at the exchange amount.

8. COMMITMENT

On August 30, 2017, the Organization signed an agreement to purchase a bus for \$363,000 US funds.

THE ROBB NASH PROJECT INC.
Schedule of Operating Expenses
Year Ended August 31, 2017

	<u>2017</u>	<u>2016</u>
Accomodations	\$ 1,173	\$ 3,685
Accounting and legal	5,147	5,837
Administrative	16,761	18,217
Advertising and promotions	5,402	249
Bank and payroll	1,633	1,613
Communications	651	438
Concert expenses	28,475	34,269
Courier and postage	310	44
Equipment rentals	17,974	3,019
Ground transportation	4,314	4,032
Insurance - liability	5,922	2,205
Interest	5,783	6,285
Materials and supplies	11,287	13,961
Meals	18,839	18,121
Office supplies	1,492	348
Outside services	7,440	8,315
Salaries and employee benefits	431,350	419,802
Sub-contracting	181,686	122,473
Tour bus	56,403	50,566
Web related	4,269	3,391
	\$ 806,311	\$ 716,870