

Financial Statements of

THE ROBB NASH PROJECT INC.

August 31, 2019

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Robb Nash Project Inc., which comprise the statement of financial position as at August 31, 2019, 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 (collectively referred to as the "financial statements").

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, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Company 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.

Responsibilities of Management 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 the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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 GAAS 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 GAAS, 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 Company'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 Company'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 Company 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.



Chartered Professional Accountants

January 20, 2020
Winnipeg, Manitoba

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THE ROBB NASH PROJECT INC.

Statement of Operations

Year Ended August 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE		
Donations	\$ 1,493,497	\$ 1,162,856
Amortization of deferred contributions		
Capital	138,972	32,653
Operating	55,460	31,090
Gain on disposal of capital assets	33,379	-
Merchandise Sales	300	-
Other	9,216	2,862
	1,730,824	1,229,461
EXPENSES		
Operating - Schedule	1,419,037	899,408
New program expenses	-	10,000
Amortization of capital assets	27,480	102,822
	1,446,517	1,012,230
NET INCOME FOR THE YEAR	\$ 284,307	\$ 217,231

THE ROBB NASH PROJECT INC.
Statement of Changes in Net Assets
Year Ended August 31, 2019

	2019				Total
	Invested in Capital Assets	Business Model Change	New Program Reserve	Unrestricted Surplus (Deficit)	
Balance, beginning of year	\$ 119,280	\$ -	\$ 70,000	\$ 22,190	\$ 211,470
Net income for the year	144,871	-	-	139,436	284,307
Interfund transfers	(238,924)	150,000	150,000	(61,076)	-
Balance, end of year	\$ 25,227	\$ 150,000	\$ 220,000	\$ 100,550	\$ 495,777

	2018				Total
	Invested in Capital Assets	Business Model Change	New Program Reserve	Unrestricted Surplus (Deficit)	
Balance, beginning of year	\$ 4,766	\$ -	\$ -	\$ (10,527)	\$ (5,761)
Net (loss) income for the year	(70,169)	-	(10,000)	297,400	217,231
Interfund transfers	184,683	-	80,000	(264,683)	-
Balance, end of year	\$ 119,280	\$ -	\$ 70,000	\$ 22,190	\$ 211,470

THE ROBB NASH PROJECT INC.
Statement of Financial Position
August 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT		
Cash	\$ 7,526	\$ 65,282
Investments (Note 3)	317,203	-
Government remittances receivable	-	8,264
Prepaid expenses	999	218
	325,728	73,764
LOAN RECEIVABLE (Note 4)	36,784	48,784
INVESTMENTS (Note 3)	151,034	-
CAPITAL ASSETS (Note 5)	69,656	402,059
	\$ 583,202	\$ 524,607
LIABILITIES		
CURRENT		
Accounts payable	\$ 34,268	\$ 9,898
Government remittances payable	8,728	-
Current portion of long-term debt (Note 6)	-	152,166
Deferred contributions - Operations (Note 7)	-	20,460
	42,996	182,524
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 7)	44,429	130,613
	87,425	313,137
CAPITAL SURPLUS		
Invested in capital assets (Note 8)	25,227	119,280
Business Model Change	150,000	-
New program reserve (Note 9)	220,000	70,000
Surplus	100,550	22,190
	495,777	211,470
	\$ 583,202	\$ 524,607

..... Director

..... Director

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

Year Ended August 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Net income for the year	\$ 284,307	\$ 217,231
Items not affecting cash:		
Amortization of capital assets	27,480	102,822
Amortization of deferred contributions - capital	(138,972)	(32,654)
Amortization of deferred contributions - operating	(55,460)	(31,089)
Gain on disposal of capital assets	(33,379)	-
	<u>83,976</u>	<u>256,310</u>
Changes in non-cash operating working capital items:		
Accounts receivable	-	26,252
Government remittances	16,992	(5,163)
Prepaid expenses	(781)	(218)
Accounts payable	24,370	3,160
	<u>124,557</u>	<u>280,341</u>
FINANCING ACTIVITIES		
Proceeds of loans payable	-	170,000
Repayment of loans payable	(152,166)	(17,834)
Deferred contributions received - capital assets	52,788	-
Deferred contributions received - operating	35,000	42,000
	<u>(64,378)</u>	<u>194,166</u>
INVESTING ACTIVITIES		
Purchase of investments	(468,237)	
Collection (advance) of loan receivable	12,000	(48,784)
Proceeds on disposal of capital assets	437,100	-
Purchase of capital assets	(98,798)	(500,115)
	<u>(117,935)</u>	<u>(548,899)</u>
NET DECREASE IN CASH POSITION	(57,756)	(74,392)
CASH POSITION, BEGINNING OF YEAR	65,282	139,674
CASH POSITION, END OF YEAR	\$ 7,526	\$ 65,282

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2019

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.

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	20%
Bus shelter	30%
Cargo Van	30%
Equipment	3 years

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, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments are measured at fair value, determined on the basis of market value. Purchases and sales of investments are recognized and derecognized using settlement date accounting. Transaction costs that are directly attributable to the acquisition of investments are added to the cost of investments. Changes in fair value are recognized in income.

e) 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 and 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.

f) 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.

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2019

3. INVESTMENTS

	<u>2019</u>	<u>2018</u>
Bonds	\$ 250,976	\$ -
Mutual Funds	168,845	-
Common Shares	43,491	-
Foreign Securities	2,153	-
Cash	2,772	-
	<u>468,237</u>	<u>-</u>
<u>Less: maturing within 12 months</u>	<u>(317,203)</u>	<u>-</u>
	<u>\$ 151,034</u>	<u>\$ -</u>

4. LOAN RECEIVABLE

	<u>2019</u>	<u>2018</u>
Loan to employee, bearing no interest, to be repaid by February 1, 2023	\$ 36,784	\$ 48,784

5. CAPITAL ASSETS

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Tour bus	\$ -	\$ -	\$ -	\$ 398,753
Bus shelter	13,885	13,885	-	-
Equipment	55,310	25,969	29,341	3,306
Cargo Van	52,019	11,704	40,315	-
	<u>\$ 121,214</u>	<u>\$ 51,558</u>	<u>\$ 69,656</u>	<u>\$ 402,059</u>

6. LOANS PAYABLE

	<u>2019</u>	<u>2018</u>
Loan from RBC, bearing interest at prime plus 2.73%, repayable in monthly blended payments of \$3,116 per month due January 26, 2019	\$ -	\$ 152,166

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2019

7. DEFERRED CONTRIBUTIONS

	<u>2019</u>	<u>2018</u>
Related to Operations		
Balance, beginning of year	\$ 20,460	\$ 9,550
Add: contributions received	35,000	42,000
Less: amounts amortized to revenue	(55,460)	(31,090)
	<u>\$ -</u>	<u>\$ 20,460</u>
Related to Capital Assets		
Balance, beginning of year	\$ 130,613	\$ -
Add: contributions received	52,788	-
Less: amounts amortized to revenue	(138,972)	(32,653)
Less: transfer from Future Assets	-	163,266
	<u>\$ 44,429</u>	<u>\$ 130,613</u>
Related to Future Assets		
Balance, beginning of year	\$ -	\$ 163,266
Add: transfer to Capital Assets	-	(163,266)
	<u>\$ -</u>	<u>\$ -</u>

8. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 69,656	\$ 402,059
Amounts financed by deferred contributions	(44,429)	(130,613)
Amounts financed by long-term debt	-	(152,166)
	<u>\$ 25,227</u>	<u>\$ 119,280</u>

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2019

8. NET INVESTMENT IN CAPITAL ASSETS (continued)

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

	<u>2019</u>	<u>2018</u>
Amortization of deferred contributions related to capital assets	\$ 138,972	\$ 32,653
Amortization of capital assets	(27,480)	(102,822)
Gain on disposal of capital assets	33,379	-
	<u>144,871</u>	<u>(70,169)</u>
Deferred contribution received – capital assets	(52,788)	-
Purchase of capital assets	98,798	500,115
Transfer from Invested in future assets	-	(163,266)
Proceeds from long-term debt	-	(170,000)
Repayment of long-term debt	152,166	17,834
Proceeds on disposal of capital assets	(437,100)	-
	<u>\$ (94,053)</u>	<u>\$ 114,514</u>

9. TRANSFERS TO RESERVES

During the year, the Organization transferred \$150,000 (2018 - \$80,000) to the New Program Reserve, which was established in 2018 to increase the impact and reach of youth programming. Current year expenditures for new programming amounted to \$nil (2018 - \$10,000). During the year, the Organization transferred \$150,000 to the Business Model Change Reserve which was established in 2019 to address the increased costs expected from the changes made to the current program delivery across the country.

10. RELATED PARTY TRANSACTIONS

The loan receivable amount is due from an employee of the Organization. Loan transactions with this related party and the amount due to this related party have been disclosed in notes to these financial statements. This transaction is measured at the exchange amount.

THE ROBB NASH PROJECT INC.
Schedule of Operating Expenses
Year Ended August 31, 2019

	<u>2019</u>	<u>2018</u>
Accommodations	\$ 22,364	\$ 7,564
Accounting and legal	8,906	7,625
Administrative	32,997	15,668
Advertising and promotions	8,860	7,142
Bank and payroll	2,346	1,949
Communications	2,673	2,253
Concert expenses	422,108	71,138
Courier and postage	6,445	413
Equipment rentals	20,872	21,883
Ground transportation	18,777	10,515
Insurance - liability	2,438	5,111
Interest	4,343	6,014
Materials and supplies	35,851	6,082
Meals	26,972	21,341
Office supplies	4,558	610
Outside services	30,606	16,414
Salaries and employee benefits	450,547	429,452
Sub-contracting	259,743	217,672
Tour bus	54,702	45,428
Web related	2,929	5,134
	\$ 1,419,037	\$ 899,408