

Financial Statements of

THE ROBB NASH PROJECT INC.

August 31, 2018

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, 2018, 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, 2018, 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.



Chartered Professional Accountants

January 7, 2019
Winnipeg, Manitoba

TABLE OF CONTENTS

	<u>Page</u>
Statement of Operations	1
Statement of Changes in Net Assets	2
Balance Sheet	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 9
Schedule of Operating Expenses	10

THE ROBB NASH PROJECT INC.**Statement of Operations**

Year Ended August 31, 2018

	<u>2018</u>	<u>2017</u>
REVENUE		
Donations	\$ 1,162,856	\$ 759,911
Amortization of deferred contributions		
Capital	32,653	19,050
Operating	31,090	99,998
Gain on sale of fixed assets	-	122,339
Other	2,862	1,014
	1,229,461	1,002,312
EXPENSES		
Operating - Schedule	899,408	806,311
New program expenses	10,000	-
Amortization of capital assets	102,822	30,135
	1,012,230	836,446
NET INCOME FOR THE YEAR	\$ 217,231	\$ 165,866

THE ROBB NASH PROJECT INC.
Statement of Changes in Net Assets
Year Ended August 31, 2018

	2018			
	Invested in Capital Assets	New Program Reserve	Unrestricted Surplus (Deficit)	Total
Balance, beginning of year	\$ 4,766	\$ -	\$ (10,527)	\$ (5,761)
Net (deficit) 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

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

THE ROBB NASH PROJECT INC.

Balance Sheet

August 31, 2018

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT		
Cash	\$ 65,282	\$ 139,674
Accounts receivable	-	26,252
Government remittances	8,264	3,101
Prepaid expenses	218	-
	73,764	169,027
LOAN RECEIVABLE (Note 3)	48,784	-
CAPITAL ASSETS (Note 4)	402,059	4,766
	\$ 524,607	\$ 173,793
LIABILITIES		
CURRENT		
Accounts payable	\$ 9,898	\$ 6,738
Current portion of long-term debt (Note 5)	152,166	-
Deferred contributions - Operations (Note 6)	20,460	9,550
	182,524	16,288
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 6)	130,613	163,266
	313,137	179,554
CAPITAL SURPLUS (DEFICIENCY)		
Invested in capital assets (Note 7)	119,280	4,766
New program reserve (Note 8)	70,000	-
Surplus (Deficit)	22,190	(10,527)
	211,470	(5,761)
	\$ 524,607	\$ 173,793

..... Director

..... Director

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

Year Ended August 31, 2018

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Net income for the year	\$ 217,231	\$ 165,866
Items not affecting cash:		
Amortization of capital assets	102,822	30,135
Amortization of deferred contributions - capital	(32,653)	(19,050)
Amortization of deferred contributions - operating	(31,090)	(99,998)
Gain on disposal of capital assets	-	(122,339)
	<u>256,310</u>	<u>(45,386)</u>
Changes in non-cash operating working capital items:		
Accounts receivable	26,252	(26,252)
Government remittances	(5,163)	(294)
Prepaid expenses	(218)	-
Accounts payable	3,160	(19,621)
	<u>280,341</u>	<u>(91,553)</u>
FINANCING ACTIVITIES		
Proceeds of loans payable	170,000	-
Repayment of loans payable	(17,834)	(184,679)
Deferred contributions received - operating	42,000	100,000
	<u>194,166</u>	<u>(84,679)</u>
INVESTING ACTIVITIES		
Issuance of loan receivable	(48,784)	-
Proceeds on disposal of capital assets	-	293,760
Purchase of capital assets	(500,115)	(1,172)
	<u>(548,899)</u>	<u>292,588</u>
NET (DECREASE) INCREASE IN CASH POSITION	(74,392)	116,356
CASH POSITION, BEGINNING OF YEAR	139,674	23,318
CASH POSITION, END OF YEAR	\$ 65,282	\$ 139,674

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2018

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 \$18,894 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	20%
Bus shelter	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, 2018

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. LOAN RECEIVABLE

	<u>2018</u>	<u>2017</u>
Loan to employee, bearing no interest, to be repaid by February 1, 2023	\$ 48,784	\$ -

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2018

4. FIXED ASSETS

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Tour bus	\$ 498,315	\$ 99,562	\$ 398,753	\$ -
Bus shelter	13,885	13,885	-	-
Equipment	25,956	22,650	3,306	4,766
	<u>\$ 538,156</u>	<u>\$ 136,097</u>	<u>\$ 402,059</u>	<u>\$ 4,766</u>

5. LOANS PAYABLE

	<u>2018</u>	<u>2017</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 estimated principal repayments over the next five years are as follows:

2019	\$31,605
2020	32,959
2021	34,370
2022	35,841
2023	17,391

Security for the loan consists of a General Security Agreement constituting a first ranking security interest in all personal property of the organization, a Security Agreement constituting a first ranking and specific security interest in 2006 Prevost XL II bus, and a guarantee and postponement of claim in the amount of \$220,000.

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2018

6. DEFERRED CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Related to Operations		
Balance, beginning of year	\$ 9,550	\$ 9,548
Add: contributions received	42,000	100,000
Less: amounts amortized to revenue	(31,090)	(99,998)
	<u>\$ 20,460</u>	<u>\$ 9,550</u>
Related to Capital Assets		
Balance, beginning of year	\$ -	\$ 182,316
Less: amounts amortized to revenue	(32,653)	(19,050)
Less: transfer from (to) Future Assets	163,266	(163,266)
	<u>\$ 130,613</u>	<u>\$ -</u>
Related to Future Assets		
Balance, beginning of year	\$ 163,266	\$ -
Add: transfer (to) from Capital Assets	(163,266)	163,266
	<u>\$ -</u>	<u>\$ 163,266</u>

7. NET INVESTMENT IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	<u>2018</u>	<u>2017</u>
Capital assets	\$ 402,059	\$ 4,766
Amounts financed by deferred contributions	(130,613)	-
Amounts financed by long-term debt	(152,166)	-
	<u>\$ 119,280</u>	<u>\$ 4,766</u>

THE ROBB NASH PROJECT INC.
Notes to the Financial Statements
August 31, 2018

7. NET INVESTMENT IN CAPITAL ASSETS (continued)

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

	<u>2018</u>	<u>2017</u>
Amortization of deferred contributions related to capital assets	\$ 32,653	\$ 19,050
Amortization of capital assets	(102,822)	(30,135)
Gain on disposal of capital assets	-	122,339
	<u>(70,169)</u>	<u>111,254</u>
Purchase of capital assets	500,115	1,172
Transfer (from) to Invested in future assets	(163,266)	163,266
Proceeds from long-term debt	(170,000)	-
Repayment of long-term debt	17,834	-
Proceeds on disposal of capital assets	-	(293,760)
	<u>\$ 114,514</u>	<u>\$ (18,068)</u>

8. NEW PROGRAM RESERVE

In the 2018 fiscal year, \$80,000 (2017 - \$nil) of unrestricted contributions were restricted for use in the development of new programming. Current year expenditures for new programming amounted to \$10,000 (2017 - \$nil).

9. 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, 2018

	<u>2018</u>	<u>2017</u>
Accomodations	\$ 7,564	\$ 1,173
Accounting and legal	7,625	5,147
Administrative	15,668	16,761
Advertising and promotions	7,142	5,402
Bank and payroll	1,949	1,633
Communications	2,253	651
Concert expenses	71,138	28,475
Courier and postage	413	310
Equipment rentals	21,883	17,974
Ground transportation	10,515	4,314
Insurance - liability	5,111	5,922
Interest	6,014	5,783
Materials and supplies	6,082	11,287
Meals	21,341	18,839
Office supplies	610	1,492
Outside services	16,414	7,440
Salaries and employee benefits	429,452	431,350
Sub-contracting	217,672	181,686
Tour bus	45,428	56,403
Web related	5,134	4,269
	\$ 899,408	\$ 806,311