

**SEEDS CONNECTIONS**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

## MBD LLP

Chartered Professional Accountants

To the Members of SEEDS Connections:

### Qualified Opinion

We have audited the financial statements of **SEEDS Connections** (the Organization), which comprise the statement of financial position as at **December 31, 2018**, and the statement of revenues, expenses & net assets, balance sheet, and statement of 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 Organization as at **December 31, 2018**, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPOs).

### Basis for Qualified Opinion

Consistent with many charitable organizations, the Organization derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of the revenues was limited to the amounts recorded in the records of the organization and we were unable to satisfy ourselves by alternative means concerning such donations for the year ended **December 31, 2018**. Since donations enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the years reported in the statement of operations and the net cash flows from operating activities reported in the statement of cash flows.

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 Organization 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

- Going concern regarding lack of secured funding. See emphasis of matter.

## **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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

## **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 Organization'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 Organization'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 Organization 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.

**Emphasis of Matter**

We draw attention to Note 8 in the financial statements which indicates that the Organization's lack of secured funding. These conditions set forth in Note 8, indicate the existence of a material uncertainty that may cast significant doubt about the Organization's ability to continue as a going concern.

May 14, 2019  
Calgary, Alberta

MBD LLP  
MBD LLP  
*Chartered Professional Accountants*

SEEDS CONNECTIONS

BALANCE SHEET

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash – operating and savings	\$ 72,706	\$ 52,950
Cash – casino (note 5)	5,652	41,542
Program receivables	-	5,050
Goods and services tax recoverable	94	1,149
Prepaid expenses	<u>184</u>	<u>188</u>
	78,636	100,879
Property and equipment (note 4)	<u>686</u>	<u>857</u>
	<u>\$ 79,322</u>	<u>\$ 101,736</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current liabilities:		
Cheques issued in excess of bank balance	\$ -	\$ -
Accounts payable	5,000	7,753
Deferred revenue (note 5)	<u>62,409</u>	<u>87,699</u>
	67,409	95,452
<b>MEMBERS' EQUITY</b>		
Net Assets	<u>11,913</u>	<u>6,284</u>
	<u>\$ 79,322</u>	<u>\$ 101,736</u>

See notes to financial statements

Approved on Behalf of the Members:

A MacDermid, Director

J M Ule, Director

## SEEDS CONNECTIONS

### STATEMENT OF REVENUES, EXPENSES AND NET ASSETS

	<u>Year Ended</u> <u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Revenue:		
Contributions	\$ 57,095	\$ 173,801
Casino	35,890	31,729
Program revenues	27,516	34,962
Interest and other	<u>162</u>	<u>250</u>
	<u>120,663</u>	<u>240,742</u>
Expenses:		
Connections	74,741	122,686
Administration	39,086	64,122
Aboriginal Assessment Program	-	14,453
GREEN Schools Program	1,035	37,389
Amortization	<u>172</u>	<u>214</u>
	<u>115,034</u>	<u>238,864</u>
Excess of revenue over expenses for the year	5,629	1,878
Net assets at beginning of year	<u>6,284</u>	<u>4,406</u>
Net assets at end of year	<u>\$ 11,913</u>	<u>\$ 6,284</u>

**SEEDS CONNECTIONS**

**STATEMENT OF CASH FLOWS**

	<u>Year Ended</u>	
	<u>December 31</u>	
	<u>2018</u>	<u>201</u>
Cash provided by (used for) operating:		
Excess expenses over revenues for the year	\$ 5,629	\$ 1,878
Charge to income not affecting cash		
Amortization	172	214
	5,801	2,092
Changes in operating accounts:		
Program receivables	5,050	12,300
Goods and services tax recoverable	1,055	4,456
Prepaid expenses	4	1,460
Deferred revenue	(25,291)	33,401
Accounts payable	(2,753)	1,753
	(21,935)	53,370
Increase (decrease) in cash for the year	(16,134)	55,462
Cash, beginning of year	94,492	39,030
Cash, end of year	\$ 78,358	\$ 94,492
Cash consists of:		
Cash – operating	\$ 39,520	\$ 6,872
Cash – savings	33,186	46,078
Cash – casino	5,652	41,542
	\$ 78,358	\$ 94,492

# SEEDS CONNECTIONS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

### 1. Incorporation, operations and going concerns

The Corporation is a registered charitable organization and was continued under the Canada Not-for-Profit Act on July 28, 2014.

The purpose of the Corporation is to provide educational programs related to leadership, environment, energy and diversity, for kindergarten to grade 12 students across Canada.

The continued operation of the organization is dependent on management raising significant funding revenues to maintain its ongoing program. A significant portion of its funding was derived from one source, which has now ended. There is therefore uncertainty with respect to obtaining replacement funding. These financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

### 2. Significant Accounting Policies

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

a) Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at year end.

b) Property and Equipment

Property and equipment are recorded at cost. Amortization is provided as follows:

Program Equipment	-	20% diminishing balance basis
Office Equipment	-	20% diminishing balance basis

c) Contributed Services

Volunteers contribute many hours each year to assist the association in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

d) Use of Estimates

The preparation of the financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from and affect the results reported in these financial statements.



## 2. Significant Accounting Policies (continued)

### e) Recognition of revenue

The Centre follows the deferral method of accounting for contributions. Restricted grants and contributions are deferred and 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. Unrestricted revenues include rental income, membership fees, interest and other income, and unrestricted donations. Rental income, membership fees and interest income are recognized in revenue as they are earned. Unrestricted fundraising and donation revenues are recognized when proceeds are received, and the fundraising event has been completed.

Deferred revenue represents funds advanced for programs to be carried out in future periods.

## 3. Financial Instruments

### a) Measurement of financial instruments

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets measured at amortized cost include cash and amounts receivable.

Financial liabilities measured at amortized cost include accounts payable.

The Corporation currently has no financial assets measured at fair market value.

### b) Impairment

At the end of each reporting period, the Corporation assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Corporation, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Corporation determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Corporation identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- (i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset.
- (ii) the amount that could be realized by selling the asset at the statement of financial position date; and
- (iii) the amount of the Corporation expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights.

### 3. Financial Instruments (continued)

#### b) Impairment (continued)

The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statements of operations.

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 is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.

#### c) Transaction costs

Transaction costs are recognized in the statements of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost.

### 4. Property and Equipment

Property and equipment consists of the following:

	<u>Costs</u>	<u>2018 Accumulated Amortization</u>	<u>Net</u>
Program Equipment	\$ 12,399	\$ 11,968	\$ 431
Office Equipment	<u>9,523</u>	<u>9,268</u>	<u>255</u>
	<u>\$ 21,922</u>	<u>\$ 21,236</u>	<u>\$ 686</u>

	<u>Costs</u>	<u>2017 Accumulated Amortization</u>	<u>Net</u>
Program Equipment	\$ 12,399	\$ 11,860	\$ 539
Office Equipment	<u>9,523</u>	<u>9,205</u>	<u>318</u>
	<u>\$ 21,922</u>	<u>\$ 21,065</u>	<u>\$ 857</u>

### 5. Deferred Revenue

Deferred revenue is represented by the following (See also Note 1)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Casino funds deferred	\$ 5,652	\$ 41,542
Funds received and deferred	<u>56,757</u>	<u>46,157</u>
	<u>\$ 62,409</u>	<u>\$ 87,699</u>

Casino funds are restricted in accordance with the Alberta Gaming and Liquor Commission application.

## **6. Financial Risks and Concentration of Risk**

The Corporation is exposed to various risks associated with financial instruments that have the potential to affect its operations and financial performance:

- (a) **Market risk**  
The major programs operate on a school year basis. A major funder has completed its funding commitment, thus requiring the Corporation to obtain alternative funding sources. There is therefore no certainty that the programs will be continued.
- (b) **Interest rate risk**  
There is currently no material interest rate risks.
- (c) **Liquidity risk**  
Liquidity risk is the risk that the Corporation will not be able to meet a demand for cash or fund its obligations as they become due. There is uncertainty as to future funding arrangements which has been expressed in Note 1 of these financial statements

The major change in the Corporation's risk exposure from the prior year is the necessity of obtaining further funding.

## **7. Income Taxes**

The organization is exempt from income taxes under paragraph 149(1)(1) of the income tax act, therefore no provision for income taxes has been made in these financial statements.

## **8. Economic Dependence and Going Concern**

The Organization received a significant portion of its funding from grants and donors. Lack of funding from these institutes has restricted the Organization's ability to continue its operations. These financials and statements have been prepared on a going concern basis on the assumption that future funding will be obtained. Given the under-funding and the deficiency in working capital, the organization's ability to realize its assets and discharge its liabilities will depend on finding new funding sources.