

**THE BAKING ASSOCIATION OF CANADA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



# CALVIN G VICKERY CPA

PROFESSIONAL CORPORATION

## INDEPENDENT AUDITOR'S REPORT

**To the Members of  
The Baking Association of Canada**

### **Qualified Opinion**

I have audited the financial statements of The Baking Association of Canada (the "Association"), which comprise the statement of financial position as at December 31, 2019, and the statements of net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at December 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 Qualified Opinion**

In common with many not-for profit organizations, the Association derives part of its revenue from members' fees and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Association and I was not able to determine whether any adjustments might be necessary to membership fees and chapter revenues, net revenue, assets and net assets. The qualification noted existed in the fiscal years ended December 31, 2019, December 31, 2018 and December 31, 2017.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Association in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

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

**To the Members of  
The Baking Association of Canada**

**Auditor's Responsibilities for the Audit of the Financial Statements**

My 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 my 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.

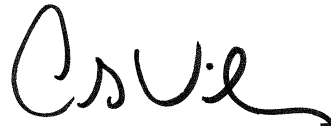
As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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 my 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 Association'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 Association's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Association 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.

I 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 I identify during my audit.

**Report on Other Legal and Regulatory Requirements**

As required by the Canadian Corporations Act, I report that, in my opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.



Calvin G Vickery CPA  
Professional Corporation  
Licensed Public Accountant

Brampton, Ontario  
May 28, 2020

**THE BAKING ASSOCIATION OF CANADA  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	\$ 560,660	\$ 454,639	\$ 445,946
Cash and/or term deposit held in Ontario Chapter trust account (Note 2)	24,617	24,377	24,377
Investments in term deposits (Note 2)	263,900	171,000	135,923
Funding receivable from Agricultural Adaptation Council (Note 3)	-	-	-
Other accounts receivable – no allowance	223,499	105,404	195,306
Prepaid expenses and deposits	12,954	14,771	15,848
Prepaid conference expenses	72,600	25,275	68,289
	<u>1,158,230</u>	<u>795,466</u>	<u>885,689</u>
<b>LONG-TERM</b>			
Investments in term deposits (Note 2)	-	263,900	257,000
Capital assets (Note 4)	26,157	29,046	35,282
	<u>26,157</u>	<u>292,946</u>	<u>292,282</u>
	<u>\$ 1,184,387</u>	<u>\$ 1,088,412</u>	<u>\$ 1,177,971</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT</b>			
Government remittances payable	\$ 35,553	\$ 16,044	\$ 43,331
Other accounts payable and accrued liabilities	65,891	72,145	61,555
Deferred conference revenue	413,699	234,025	417,565
Amount held in trust for Ontario Chapter (Note 5)	30,727	24,633	24,936
	<u>545,870</u>	<u>346,847</u>	<u>547,387</u>
Commitments (Note 7)			
<b>NET ASSETS</b>	<u>638,517</u>	<u>741,565</u>	<u>630,584</u>
	<u>\$ 1,184,387</u>	<u>\$ 1,088,412</u>	<u>\$ 1,177,971</u>

Approved on behalf of the Board of Directors

\_\_\_\_\_ DIRECTOR

\_\_\_\_\_ DIRECTOR

\_\_\_\_\_ DATED

See accompanying notes to the financial statements.

**THE BAKING ASSOCIATION OF CANADA  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	\$ 741,565	\$ 630,584	\$ 739,297
Net surplus (loss) for the year	<u>(103,048)</u>	<u>110,981</u>	<u>(108,713)</u>
<b>NET ASSETS, END OF THE YEAR</b>	<u>\$ 638,517</u>	<u>\$ 741,565</u>	<u>\$ 630,584</u>

See accompanying notes to the financial statements.

**THE BAKING ASSOCIATION OF CANADA  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE</b>			
Membership fees	\$ 178,765	\$ 170,149	\$ 192,410
Education fees and manuals	-	50	2,335
Chapter revenue	136,395	130,761	169,159
Bakery Showcase revenues	3,200	760,737	-
Bakery Congress revenues	442,344	-	362,228
Special projects and other	19,571	19,204	21,402
	<u>780,275</u>	<u>1,080,901</u>	<u>747,534</u>
<b>DIRECT EXPENSE</b>			
Education	90	24	273
Chapter expenses	130,264	124,162	161,544
Bakery Showcase expenses	58,863	288,902	52,791
Bakery Congress expenses	216,849	58,444	171,129
Special projects and other	22,002	33,195	23,962
	<u>428,068</u>	<u>504,727</u>	<u>409,699</u>
<b>CONTRIBUTION MARGIN</b>	<u>352,207</u>	<u>576,174</u>	<u>337,835</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSE</b>			
Staff expense	311,939	317,284	309,243
Professional fees	26,435	22,389	22,384
Insurance	7,423	6,948	6,072
Office and general	4,251	7,554	5,984
Bank charges	457	2,144	2,441
Computer hardware and software	15,228	12,300	11,214
Telephone and network	7,160	7,120	6,568
Meetings	17,630	20,130	16,342
Advertising and public relations	4,387	2,771	1,460
Travel	31,195	36,214	33,865
Occupancy	32,354	32,479	31,866
Amortization of capital assets	5,989	6,236	6,650
	<u>464,448</u>	<u>473,569</u>	<u>454,089</u>
<b>AGRICULTURAL ADAPTATION COUNCIL "AAC" PROJECT (Note 3)</b>			
Funding received from AAC	-	-	13,934
Contributions from members	-	-	-
Less: Expenses	-	-	(13,690)
Net funding over expenses (expenses over funding)	<u>-</u>	<u>-</u>	<u>244</u>
<b>OPERATING SURPLUS (LOSS)</b>	(112,241)	102,605	(116,010)
<b>INTEREST INCOME ON INVESTMENTS</b>	<u>9,193</u>	<u>8,376</u>	<u>7,297</u>
<b>NET SURPLUS (LOSS) FOR THE YEAR</b>	<u>\$ (103,048)</u>	<u>\$ 110,981</u>	<u>\$ (108,713)</u>

See accompanying notes to the financial statements.

**THE BAKING ASSOCIATION OF CANADA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>			
Net surplus (loss) for the year	\$ (103,048)	\$ 110,981	\$ (108,713)
Items not involving cash:			
Amortization of capital assets	5,989	6,236	6,650
	<u>(97,059)</u>	<u>117,217</u>	<u>(102,063)</u>
Change in non-cash working capital components			
Funding receivable from Agricultural Adaptation Council	-	-	24,703
Other accounts receivable	(118,095)	89,902	(100,885)
Prepaid expenses and deposits	1,817	1,077	5,187
Prepaid conference expenses	(47,325)	43,014	(11,125)
Cash and/or term deposit held in			
Ontario Chapter trust account	(240)	-	45
Government remittances payable	19,509	(27,287)	36,704
Other accounts payable and accrued liabilities	(6,254)	10,590	(12,249)
Deferred conference revenue	179,674	(183,540)	212,990
Amount held in trust for Ontario Chapter	6,094	(303)	-
	<u>(61,879)</u>	<u>50,670</u>	<u>53,307</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds on redemption of term deposits	171,000	135,923	128,000
Purchase of term deposits	-	(177,900)	(86,000)
Purchase of capital assets	(3,100)	-	(945)
	<u>167,900</u>	<u>(41,977)</u>	<u>41,055</u>
<b>NET CASH INCREASE DURING THE YEAR</b>	<b>106,021</b>	<b>8,693</b>	<b>94,362</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>454,639</b>	<b>445,946</b>	<b>351,584</b>
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>\$ 560,660</b>	<b>\$ 454,639</b>	<b>\$ 445,946</b>
<b>ADDITIONAL CASH FLOW INFORMATION:</b>			
Interest received on investments	<u>\$ 8,213</u>	<u>\$ 7,396</u>	<u>\$ 8,108</u>

See accompanying notes to the financial statements.

**THE BAKING ASSOCIATION OF CANADA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**STATUS AND PURPOSE OF THE ORGANIZATION**

The Baking Association of Canada ("The Association") is incorporated as a not-for-profit organization under the Canada Corporations Act and is the association which represents Canada's baking industry. The Association's mandate is to further the interests of Canadian retail, in-store and wholesale bakers. The Association has chapters in Atlantic Canada, Ontario, Alberta and British Columbia and is affiliated with the Conseil de la Boulangerie du Québec.

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**Revenue Recognition**

The Association follows the deferral method of accounting for contributions and conference revenues and expenses.

The Association sponsors a national conference and a regional conference in alternate years. Revenues for these events are reported in the year the event is held. Revenues received prior to holding these conferences are reported as deferred revenue on the balance sheet.

Annual membership fees are recorded as received, except when they must be paid by instalments, in which case the fee is recognized as revenue when pledged by the member.

Revenue from Chapter events and from educational events is recognized when the events are held.

Revenue from the sale of educational material is recognized when the goods are shipped.

Unrestricted investment income is recognized as revenue when it is earned. Investment income shown on the statement of operations includes interest income, and realized investment gains and losses.

Restricted contributions and investment income on restricted contributions are deferred and recognized as revenue in the year when eligible expenses are incurred.



**THE BAKING ASSOCIATION OF CANADA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets are recorded at cost. Amortization is provided at rates which will charge the original cost to operations over the estimated useful lives of the assets from the month of acquisition as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer software	3 years
Database software	10 years
Leasehold improvements	straight-line over term of lease

**Financial Instruments**

The Association initially measures its financial assets and financial liabilities at fair value. It 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 statement of operations.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable and investments in bonds.

Financial liabilities measured at amortized cost include trade accounts payable, government remittances payable, and accrued liabilities.

**Contributed Materials and Services**

The Association does not receive contributions of materials in kind. Many volunteers contribute hours of service per year to the Association, mostly in relation to Chapter activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Cash and Cash Equivalents**

The Association's policy is to present bank balances that are available for current operations under cash and cash equivalents, including term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the organization cannot use for current operating transactions because they are restricted as reserves are also excluded from cash and cash equivalents.

**Income Taxes**

The Association is a non-profit organization within the meaning of Subsection 149 (1) (l) of the Income Tax Act of Canada and is exempt from income taxes.

**THE BAKING ASSOCIATION OF CANADA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**2. INVESTMENTS IN TERM DEPOSITS**

Investments in term deposits consist of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Term deposits with Canadian Chartered banks	\$ 263,900	\$ 434,900	\$ 392,923
Term deposits maturing within one year	\$ 263,900	\$ 171,000	\$ 135,923
Long-term investments in term deposits	-	263,900	257,000
	<u>\$ 263,900</u>	<u>\$ 434,900</u>	<u>\$ 392,923</u>

Maturity dates:

From	Apr. 2020	May 2019	Feb. 2019
To	Nov. 2020	Nov. 2020	Nov. 2020

Interest rates:

From	2.20%	1.50%	1.50%
To	2.81%	2.81%	2.55%

At December 31, 2019, the amount of \$24,617 (\$24,377 plus accrued interest of \$240) is held in a trust account for the Ontario Chapter which consists of a guaranteed investment certificate paying interest of prime rate less 2.7% per annum.

**3. PROJECT FUNDING FROM AGRICULTURAL ADAPTATION COUNCIL**

On October 6, 2014, the Association entered into an agreement with the Agricultural Adaptation Council to provide funding for the "Growing Forward 2 Program". The program was completed in 2017.

**4. CAPITAL ASSETS**

	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>2019 NET BOOK VALUE</u>	<u>2018 NET BOOK VALUE</u>	<u>2017 NET BOOK VALUE</u>
Office equipment	\$ 29,046	\$ 28,736	\$ 310	\$ 546	\$ 1,001
Computer equipment	36,548	33,251	3,297	1,284	2,400
Computer software	34,126	34,126	-	-	-
Database software	46,655	24,105	22,550	27,216	31,881
	<u>\$ 146,375</u>	<u>\$ 120,218</u>	<u>\$ 26,157</u>	<u>\$ 29,046</u>	<u>\$ 35,282</u>

**5. AMOUNT HELD IN TRUST FOR ONTARIO CHAPTER**

The amount held in trust for the Ontario chapter consists of unspent funds contributed by the Bakery Production Club of Ontario to the Ontario Chapter in prior years to support educational activities within the province.

**THE BAKING ASSOCIATION OF CANADA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**6. FINANCIAL INSTRUMENTS RISK**

The Association is exposed to various risks through its financial instruments. The following analysis presents the Association's exposures to significant risk at the reporting date of December 31, 2019.

**Credit Risk**

The Association is exposed to credit risk with respect to its accounts receivable and investments in term deposits. The Association assesses, on a continuous basis, the collection of its accounts receivable. The credit risk in regards to the Association's investments is reduced by investing in term deposits with Canadian chartered banks.

**Interest Rate Risk**

The Association is exposed to interest rate risk on its investments in term deposits. An investment advisor provides assistance in purchasing investments that will earn income at the best available rates, while minimizing credit risk. The Association's investment revenues may be materially impacted by changes in market interest rates.

**7. LEASE COMMITMENT**

The Association is committed to a lease for its office premises at a cost of \$2,544 per month for a period ending November 30<sup>th</sup>, 2020. The operating lease commitment over the next five years is as follows:

2020	\$ 27,984
2021	-
2022	-
2023	-
2024	-
	<hr/>
	\$ 27,984

**8. SUBSEQUENT EVENT**

Subsequent to the date of the financial statements but prior to the release of these financial statements there have been significant financial events related to the response to the COVID-19 pandemic. As a result of these events the Association has been forced to curtail its operations and postpone its planned 2020 Bakery Showcase due to the Public Health restrictions. The financial effect of these events cannot be estimated at this time.