

The Club Inclusion

Financial Statements

October 31, 2021

The Club Inclusion

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INDEPENDENT AUDITORS' REPORT

To the Members of
The Club Inclusion

Qualified Opinion

We have audited the financial statements of The Club Inclusion, which comprise the statement of financial position as at October 31, 2021, the statements of operations, changes in net assets 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 paragraph, the accompanying financial statements of The Club as at October 31, 2021 are prepared, in all material respects, in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, The Club derives part of its revenue from donations and fundraising revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Club. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenue or expenses, and cash flows from operations for the year ended October 31, 2021, current assets as at October 31, 2021, and net assets as at October 31, 2021. Our audit opinion on the financial statements for the year ended October 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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 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 qualified opinion.

Responsibility 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 ASNFPO, 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 Club'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 Club or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing The Club's financial reporting process.

Auditors' Responsibility 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 Club'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 Club'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 Club 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.

G&R CHARTERED PROFESSIONAL ACCOUNTANTS

Licensed Public Accountants

Dartmouth, Nova Scotia

Thursday, April 22, 2021

The Club Inclusion

Statement of Financial Position

October 31, 2021

Operating	General Fund \$	(note 5) Emergency Restricted Fund \$	(note 5) Operational Restricted Fund \$	Total 2021 \$	Total 2020 \$
Assets					
Current Assets					
Cash	234,337	75,000	50,000	359,337	233,101
Accounts receivable	310	-	-	310	1,350
Leases receivable	3,925	-	-	3,925	26,283
HST receivable	6,642	-	-	6,642	2,853
Prepaid	3,302	-	-	3,302	-
Total Current Assets	248,516	75,000	50,000	373,516	263,587
Capital assets (note 3)	35,486	-	-	35,486	40,727
Total Assets	284,002	75,000	50,000	409,002	304,314
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	44,112	-	-	44,112	8,193
Deferred revenue (note 4)	107,437	-	-	107,437	117,390
Total Liabilities	151,549	-	-	151,549	125,583
Net Assets	132,453	75,000	50,000	257,453	178,731
Total Liabilities and Net Assets	284,002	75,000	50,000	409,002	304,314

SIGNED ON BEHALF OF THE BOARD

Director

Director

The Club Inclusion

Statement of Operations
For the Year Ended October 31, 2021

	General Fund \$	(note 5) Emergency Restricted Fund \$	(note 5) Operational Restricted Fund \$	Total 2021 \$	Total 2020 \$
Revenues					
Donations	69,888	-	-	69,888	74,086
Fundraising	7,431	-	-	7,431	4,473
Grants -					
Government of Canada	7,738	-	-	7,738	5,800
Province of Nova Scotia	161,993	-	-	161,993	115,110
Other	20,718	-	-	20,718	31,818
United Way of Halifax	47,100	-	-	47,100	48,360
Other income	8,030	-	-	8,030	-
COVID-19 funding	5,683	-	-	5,683	64,405
Participant program fees	203,782	-	-	203,782	123,850
Total Revenues	532,363	-	-	532,363	467,902
Expenses					
Advertising and marketing	-	-	-	-	1,997
Amortization of tangible assets	8,881	-	-	8,881	7,088
Bursaries	32,159	-	-	32,159	10,053
Fundraising	4,201	-	-	4,201	-
Office expenses	19,483	-	-	19,483	2,381
Participant program expenses	98,197	-	-	98,197	83,205
Salaries	290,720	-	-	290,720	287,200
Total Expenses	453,641	-	-	453,641	391,924
Excess of Revenue over Expenses for the Year	78,722	-	-	78,722	75,978

The Club Inclusion

Statement of Changes in Net Assets
For the Year Ended October 31, 2021

	General Fund \$	(note 5) Emergency Restricted Fund \$	(note 5) Operational Restricted Fund \$	Total 2021 \$	Total 2020 \$
Balances - Beginning of year	118,731	60,000	-	178,731	102,753
Excess of revenue over expenses for the year	78,722	-	-	78,722	75,978
Inter-fund Transfers	(65,000)	15,000	50,000	-	-
Balances - End of Year	132,453	75,000	50,000	257,453	178,731

The Club Inclusion

Statement of Cash Flows

For the Year Ended October 31, 2021

	General Fund \$	(note 5) Emergency Restricted Fund \$	(note 5) Operational Restricted Fund \$	Total 2021 \$	Total 2020 \$
Cash Flows from Operating Activities					
Excess of revenue over expenses for the year	78,722	-	-	78,722	75,978
Adjustments to earnings not involving cash -					
Inter-fund transfers	(65,000)	15,000	50,000	-	-
Amortization	8,881	-	-	8,881	7,088
	22,603	15,000	50,000	87,603	83,066
Changes in non-cash working capital -					
Decrease in accounts receivable	1,040	-	-	1,040	18,084
Decrease (increase) in grants receivable	22,358	-	-	22,358	(16,283)
Increase (decrease) in HST receivable	(3,789)	-	-	(3,789)	1,563
Increase in prepaid expenses	(3,302)	-	-	(3,302)	-
Increase in accounts payable and accrued liabilities	35,919	-	-	35,919	609
Decrease (increase) in deferred revenue	(9,953)	-	-	(9,953)	42,597
Total Cash Flows from Operating Activities	64,876	15,000	50,000	129,876	129,636
Cash Flows from Investing Activities					
Purchase of capital assets	(3,640)	-	-	(3,640)	(28,027)
Increase in Cash	61,236	15,000	50,000	126,236	101,609
Cash - Beginning of Year	173,101	60,000	-	233,101	131,492
Cash - End of Year	234,337	75,000	50,000	359,337	233,101

The Club Inclusion

Notes to Financial Statements

For the Year Ended October 31, 2021

The Club Inclusion ("The Club") is a not-for-profit organization incorporated under the Nova Scotia Society's Act on October 16, 2008 as a charitable organization to aid the social, cultural and recreational inclusion of people who have disabilities and learning difficulties in the communities of Halifax and Dartmouth, Nova Scotia.

The Club is a not-for-profit organization and a registered charity under the *Income Tax Act*, and as described in Section 149(1)(l) of the *Income Tax Act*, and may issue receipts for charitable donations and, as such, income from operations is exempt from income.

1. Significant Accounting Policies

Basis of Accounting

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

Cash

The Club defines cash as the amount of cash on hand and cash on deposit net of cheques that are issued and outstanding at the end of the year.

Financial Instruments

The financial assets and liabilities are initially recorded at fair value. The Club subsequently measures all its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at cost include cash, accounts receivable, grants receivable and HST receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

Capital Assets

Capital assets are being amortized using the declining balance method at the following annual rates:

	<u>Rate</u>
Computer hardware	30%
Furniture and equipment	20%
Leasehold improvements	20%

In the year of acquisition, amortization is calculated at one-half the annual rate.

Contributed tangible equipment and leaseholds that are donated are typically not recorded unless it is deemed to have a significant value to The Club. Any recorded contributions are noted in the year in which they are recorded under the equipment and leasehold improvement schedule.

Impairment of Long-lived Assets

Capital assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the projected future net cash flows resulting from its use and eventual disposition. The impairment loss, if any, is measured as the amount by which the carrying amount of the asset exceeds its fair value.

The Club Inclusion

Notes to Financial Statements

For the Year Ended October 31, 2021

1. Significant Accounting Policies . . . (continued)

Revenue and Expense Recognition

All revenue and expenses are reported on the accrual basis.

The Club follows the deferral method of accounting for contributions. Under this method, contributions restricted for future periods as to the terms of its grants, funding agreements and contribution to the year in which the related expenses are incurred.

Unrestricted contributions, grants and subsidies, program and membership fees, and other income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund Accounting

The Club follows the fund accounting method of accounting. These funds match the revenue and expenses, and cash on hand relating to particular segments of the organization's operations. The General Fund summarizes those activities relating to overall operations of The Club. The internally restricted fund is set up and used as disclosed in Note 5.

Contributed and Donated Goods and Services

The Club typically does not record the value of donated equipment or services in the financial statements, unless it is deemed to have a significant value to the organizations and fair market value is can be determined. During the year, \$Nil in goods were donated (2020 \$Nil)

The Club would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Statement of Cash Flows

The Club prepares the statement of cash flows on a net cash basis and reports cash flows from operating and financing activities using the indirect method.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities as at October 31, 2021 and the reported amount of revenues and expenses for the year then ended. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates included in these financial statements are allowance for doubtful accounts and accrued liabilities.

2. Financial Instruments

The significant financial risks to which The Club is exposed are credit risk and liquidity risk.

Unless otherwise noted, it is management's opinion that The Club is not exposed to significant interest rate risk, currency risk or market risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

The Club Inclusion

Notes to Financial Statements

For the Year Ended October 31, 2021

2. Financial Instruments ... (continued)

Credit Risk

Financial instruments that potentially subject The Club to credit risk consist of cash and accounts receivable. The Club uses reputable institutions for cash and believes the risk of loss to be remote. The Club estimates an allowance for doubtful accounts for accounts receivable. As at October 31, 2021 no allowance was recorded (2020 - \$nil) for accounts receivable. Any credit losses are provided for in the financial statements and have consistently been within management's expectations.

Liquidity Risk

Liquidity risk is the risk that The Club will not be able to meet its obligations as they become due. The Club's approach to managing liquidity risk is to ensure that it always has sufficient cash flows, cash on hand and credit facilities to meet its operating obligations.

3. Capital Assets

	Cost \$	Accumulated amortization \$	2021 Net Book Value \$	2020 Net Book Value \$
Computer hardware	5,855	3,255	2,600	3,714
Furniture and equipment	24,751	11,989	12,762	11,858
Leasehold improvements	37,411	17,287	20,124	25,155
	68,017	32,531	35,486	40,727

4. Deferred Revenue

Deferred revenue includes the unused portion of grant and donor funding, which is deferred based on funding agreements, and customer prepayments. The amounts that are deferred are intended to be used by The Club in the subsequent year. Deferred revenue is comprised of the following balances for the year as follows:

	2021 \$	2020 \$
Donations & other	2,250	6,845
Province of Nova Scotia	82,170	102,365
Customer prepayments	23,017	8,180
Total Deferred Revenue	107,437	117,390

The Club Inclusion

Notes to Financial Statements

For the Year Ended October 31, 2021

5. Internally Restricted Net Assets

Internally Restricted Net Assets represents funds that the Club receives that are restricted for use toward for future expenses. The Club has restricted funds based on anticipated future needs as follows:

	2021 \$	2020 \$
Emergency restricted fund	75,000	60,000
Operational restricted fund	50,000	-
	125,000	60,000

6. Commitments

The Club leases facilities for office and activity space in Halifax under the terms of a five year lease agreement at a monthly rate of \$1,750 from September to June and \$1,400 from July and August, expiring September 30, 2023. The agreement allows for the rent amounts to be reviewed and amended annually.

7. Comparative Figures

Certain comparative figures have been reclassified to confirm with the financial statement presentation adopted for the present year. There has been no impact on prior year retained earnings.