# The Club Inclusion

## Financial Statements

**October 31, 2022**

# The Club Inclusion

**October 31, 2022**

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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 ("The Club"), which comprise the statement of financial position as at October 31, 2022, 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, 2022 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, 2022, current assets as at October 31, 2022, and net assets as at October 31, 2022. Our audit opinion on the financial statements for the year ended October 31, 2022 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
February 27, 2023

# The Club Inclusion

**Statement of Financial Position**

**October 31, 2022**

| | General Fund $ | (note 5) Emergency Restricted Fund $ | (note 5) Operational Restricted Fund $ | Total 2022 $ | Total 2021 $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash | 397,001 | 75,000 | 50,000 | **522,001** | 359,337 |
| Accounts receivable | 615 | - | - | **615** | 310 |
| Investment | 10,053 | - | - | **10,053** | - |
| Grant receivable | 45,086 | - | - | **45,086** | 3,925 |
| HST receivable | 3,457 | - | - | **3,457** | 6,642 |
| Prepaid | 3,449 | - | - | **3,449** | 3,302 |
| **Total Current Assets** | 459,661 | 75,000 | 50,000 | **584,661** | 373,516 |
| Capital assets (note 3) | 35,215 | - | - | **35,215** | 35,486 |
| **Total Assets** | 494,876 | 75,000 | 50,000 | **619,876** | 409,002 |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts payable and accrued liabilities | 14,704 | - | - | **14,704** | 44,110 |
| Deferred revenue (note 4) | 345,183 | - | - | **345,183** | 103,627 |
| **Total Liabilities** | 359,887 | - | - | **359,887** | 147,737 |
| **Net Assets** | 134,989 | 75,000 | 50,000 | **259,989** | 276,265 |
| **Total Liabilities and Net Assets** | 494,876 | 75,000 | 50,000 | **619,876** | 424,002 |

SIGNED ON BEHALF OF THE BOARD

Director

Director

# The Club Inclusion

**Statement of Operations**

**For the Year Ended October 31, 2022**

| | General Fund $ | (note 5) Emergency Restricted Fund $ | (note 5) Operational Restricted Fund $ | Total 2022 $ | Total 2021 $ |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Donations | 64,492 | - | - | **64,492** | 68,008 |
| Fundraising | 6,359 | - | - | **6,359** | 7,431 |
| Grants - | | | | | |
| Government of Canada | 8,449 | - | - | **8,449** | 7,738 |
| Province of Nova Scotia | 220,625 | - | - | **220,625** | 172,649 |
| Other | 130,704 | - | - | **130,704** | 20,718 |
| United Way of Halifax | 43,175 | - | - | **43,175** | 47,100 |
| Other income | 1,824 | - | - | **1,824** | 8,030 |
| COVID-19 funding | - | - | - | **-** | 5,683 |
| Participant program fees | 223,991 | - | - | **223,991** | 198,817 |
| Interest income | 53 | - | - | **53** | - |
| **Total Revenues** | 699,672 | - | - | **699,672** | 536,174 |
| **Expenses** | | | | | |
| Advertising and marketing | 1,829 | - | - | **1,829** | - |
| Amortization of tangible assets | 8,145 | - | - | **8,145** | 8,881 |
| Bursaries | 13,486 | - | - | **13,486** | 32,159 |
| Fundraising | 1,961 | - | - | **1,961** | 4,201 |
| Office expenses | 41,404 | - | - | **41,404** | 19,483 |
| Participant program expenses | 190,032 | - | - | **190,032** | 98,197 |
| Salaries | 444,090 | - | - | **444,090** | 290,720 |
| **Total Expenses** | 700,947 | - | - | **700,947** | 453,641 |
| **Excess (deficiency) of Revenue over Expenses for the Year** | (1,275) | - | - | **(1,275)** | 82,533 |

# The Club Inclusion

**Statement of Changes in Net Assets**

**For the Year Ended October 31, 2022**

| | General Fund $ | (note 5) Emergency Restricted Fund $ | (note 5) Operational Restricted Fund $ | Total 2022 $ | Total 2021 $ |
|---|---|---|---|---|---|
| **Balances - Beginning of year** | 136,264 | 75,000 | 50,000 | **261,264** | 193,732 |
| Excess (deficiency) of revenue over expenses for the year | (1,275) | - | - | **(1,275)** | 82,533 |
| **Balances - End of Year** | 134,989 | 75,000 | 50,000 | **259,989** | 276,265 |

# The Club Inclusion

**Statement of Cash Flows**

**For the Year Ended October 31, 2022**

| | General Fund $ | (note 5) Emergency Restricted Fund $ | (note 5) Operational Restricted Fund $ | Total 2022 $ | Total 2021 $ |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Excess (deficiency) of revenue over expenses for the year | (1,275) | - | - | **(1,275)** | 82,533 |
| Adjustments to earnings not involving cash - Amortization | 8,145 | - | - | **8,145** | 8,881 |
| | 6,870 | - | - | **6,870** | 91,414 |
| Changes in non-cash working capital - | | | | | |
| Decrease (increase) in accounts receivable | (305) | - | - | **(305)** | 1,040 |
| Decrease (increase) in grants receivable | (41,161) | - | - | **(41,161)** | 22,358 |
| Increase in investment | (10,053) | - | - | **(10,053)** | - |
| Decrease (increase) in HST receivable | 3,185 | - | - | **3,185** | (3,789) |
| Increase in prepaid expenses | (147) | - | - | **(147)** | (3,302) |
| Increase (decrease) in accounts payable and accrued liabilities | (29,409) | - | - | **(29,409)** | 35,919 |
| Increase (decrease) in deferred revenue | 241,557 | - | - | **241,557** | (13,763) |
| **Total Cash Flows from Operating Activities** | 170,537 | - | - | **163,667** | 129,877 |
| **Cash Flows from Investing Activities** | | | | | |
| Purchase of capital assets | (7,874) | - | - | **(7,874)** | (3,640) |
| **Increase in Cash** | 162,663 | - | - | **162,663** | 126,237 |
| **Cash - Beginning of Year** | 234,338 | 75,000 | 50,000 | **359,338** | 233,101 |
| **Cash - End of Year** | 397,001 | 75,000 | 50,000 | **522,001** | 359,338 |

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)(I) 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:

| | Rate |
|---|---|
| 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.

## 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 (2021 $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 investing 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, 2022 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, 2022**

## 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, 2022 no allowance was recorded (2021 - $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<br>$ | Accumulated amortization<br>$ | 2022<br>Net Book Value<br>$ | 2021<br>Net Book Value<br>$ |
|---|---|---|---|---|
| Computer hardware | 5,855 | 4,035 | **1,820** | 2,600 |
| Furniture and equipment | 32,625 | 15,329 | **17,296** | 12,762 |
| Leasehold improvements | 37,411 | 21,312 | **16,099** | 20,124 |
| | 75,891 | 40,676 | **35,215** | 35,486 |

## 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:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Donations & other | **12,138** | 2,250 |
| Province of Nova Scotia | **326,545** | 78,360 |
| Customer prepayments | **6,500** | 23,017 |
| **Total Deferred Revenue** | **345,183** | 103,627 |

# The Club Inclusion

**Notes to Financial Statements**

**For the Year Ended October 31, 2022**

### 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:

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| Emergency restricted fund | **75,000** | 75,000 |
| Operational restricted fund | **50,000** | 50,000 |
| | **125,000** | 125,000 |

### 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.