
Financial statements of
The Duke of Edinburgh's
International Award – Canada

December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
The Duke of Edinburgh's International Award – Canada

Qualified Opinion

We have audited the financial statements of The Duke of Edinburgh's International Award - Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statement of revenue and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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, 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 Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenue, the excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and net assets as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 qualified audit opinion.

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 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 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 GAAS 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 GAAS, 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.

The signature "Deloitte LLP" is written in a cursive, handwritten style.

Chartered Professional Accountants
Licensed Public Accountants
March 23, 2020

The Duke of Edinburgh's International Award – Canada

Statement of financial position

As at December 31, 2019

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash		1,209,661	639,053
Short-term investments	4	51,168	51,168
Accounts receivable	6(d)	177,194	156,777
Prepaid expenses		12,313	46,611
		1,450,336	893,609
Investments	4	3,708,466	3,370,001
Capital assets	5	31,410	30,390
		5,190,212	4,294,000
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	54,043	6,642
Due to Operating Divisions	6(b)	564,621	512,825
		618,664	519,467
Long-term liability			
Due to Operating Divisions	6(b)	—	46,250
Net assets (deficit)			
Unrestricted		(340,965)	(215,460)
Restricted	7		
Charter for Business Fund		(48,195)	55,185
Anniversary Endowment Fund		3,708,466	3,370,001
Forum 2015 Fund		35,401	35,401
National Contingency Fund		51,168	51,168
Canada Services Corps Fund		1,006,285	283,598
Invested in Capital Assets Fund	9	31,410	30,390
Open for Gold Fund		109,978	100,000
Gogama Remote Learning Fund		18,000	18,000
		4,571,548	3,728,283
		5,190,212	4,294,000

The accompanying notes are an integral part of the financial statements.

Approved by the Board

_____, Director

_____, Director

The Duke of Edinburgh's International Award – Canada

Statement of revenue and expenses

Year ended December 31, 2019

		Unrestricted Fund	Charter for Business Fund	Anniversary Endowment Fund	Forum 2015 Fund	Invested in Capital Assets Fund	Canada Service Corps Fund	Open for Gold Fund	Gogama Remote Learning Fund	2019 Total	2018 Total
	Notes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue											
Donations	2	86,631	472,300	—	—	—	—	100,000	25,000	683,931	806,718
Grant Revenue		303,711	—	—	—	—	1,727,513	—	—	2,031,224	1,065,728
Special events		81,791	—	—	—	—	—	—	—	81,791	—
Interest and other investment income		638	—	—	—	—	—	—	—	638	632
		472,771	472,300	—	—	—	1,727,513	100,000	25,000	2,797,584	1,873,078
Expenses											
Distributions to Divisions	6(c)	—	321,872	—	—	—	—	—	—	321,872	350,574
Program expenses		43,103	505	—	—	—	1,004,826	90,022	25,000	1,163,456	727,577
General and administrative		516,922	1,107	—	—	—	—	—	—	518,029	393,327
Marketing and communication		128,199	—	—	—	—	—	—	—	128,199	192,364
Fund Development		125,828	109,146	—	—	—	—	—	—	234,974	40,507
Amortization		—	—	—	—	14,942	—	—	—	14,942	1,964
Interest and bank charges		11,576	165	—	—	—	—	—	—	11,741	4,965
Professional fees		25,811	8,560	—	—	—	—	—	—	34,371	32,185
Other expense		—	—	—	—	—	—	—	—	—	2,935
		851,439	441,355	—	—	14,942	1,004,826	90,022	25,000	2,427,584	1,746,398
Excess of (expenses over) revenue before the undernoted		(378,668)	30,945	—	—	(14,942)	722,687	9,978	—	370,000	126,680
Change in unrealized gain (loss) on investments		—	—	473,265	—	—	—	—	—	473,265	(65,910)
Excess (deficiency) of revenue over expenses		(378,668)	30,945	473,265	—	(14,942)	722,687	9,978	—	843,265	60,770

The accompanying notes are an integral part of the financial statements.

The Duke of Edinburgh's International Award – Canada

Statement of changes in net assets

Year ended December 31, 2019

	Unrestricted Fund	Charter for Business Fund	Anniversary Endowment Fund	Forum 2015 Fund	National Contingency Fund	Invested in Capital Assets Fund	Canada Service Corp Fund	Open for Gold Fund	Gogama Remote Learning Fund	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net assets (deficit), beginning of year	(215,460)	55,185	3,370,001	35,401	51,168	30,390	283,598	100,000	18,000	3,728,283	3,667,513
Excess (deficiency) of revenue over expenses	(378,668)	30,945	473,265	—	—	(14,942)	722,687	9,978	—	843,265	60,770
Inter-fund transfers											
Anniversary Endowment to Unrestricted	134,800	—	(134,800)	—	—	—	—	—	—	—	—
Charter for Business to Unrestricted	134,325	(134,325)	—	—	—	—	—	—	—	—	—
Unrestricted to Invested in Capital Assets	(15,962)	—	—	—	—	15,962	—	—	—	—	—
Net assets (deficit), end of year	(340,965)	(48,195)	3,708,466	35,401	51,168	31,410	1,006,285	109,978	18,000	4,571,548	3,728,283

Note

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The accompanying notes are an integral part of the financial statements.

The Duke of Edinburgh's International Award – Canada

Statement of cash flows

Year ended December 31, 2019

	2019	2018
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses		
Operating Fund	(378,668)	(502,265)
Charter for Business Fund	30,945	229,311
Anniversary Endowment Fund	473,265	(65,910)
Canada Service Corp	722,687	283,598
Invested in Capital Assets Fund	(14,942)	(1,964)
Open for Gold Fund	9,978	100,000
Gogama Remote Learning Fund	—	18,000
	843,265	60,770
Items not affecting cash		
Amortization	14,942	1,964
Change in unrealized (gain) loss on investments	(473,265)	65,910
	(458,323)	128,644
Net change in non-cash working capital balances		
Accounts receivable	(20,417)	(10,268)
Prepaid expenses	34,298	(24,741)
Accounts payable and accrued liabilities	47,401	(16,713)
Due to Operating Divisions	5,546	—
	(391,495)	76,922
Investing activities		
Change in investments	134,800	26,404
Purchase of capital assets	(15,962)	(30,068)
	118,838	(3,664)
Net cash inflow	570,608	73,258
Cash, beginning of year	639,053	565,795
Cash, end of year	1,209,661	639,053

The accompanying notes are an integral part of the financial statements.

The Duke of Edinburgh's International Award – Canada

Notes to the financial statements

December 31, 2019

1. Operations

The Duke of Edinburgh's International Award is an international award program for young people. The National Board of Directors is the governing body of the Canadian award authority. The Duke of Edinburgh's International Award - Canada (the "Award" or "Organization") also conducts fundraising activities and distributes funds to Operating Divisions located in the Provinces and Territories. The Operating Divisions are separately incorporated.

The Organization is classified as a registered charity under the Income Tax Act and, accordingly, is not subject to income taxes.

2. Significant accounting policies

Financial statement presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the restricted fund method of reporting restricted contributions.

These financial statements include the assets, liabilities, operations and cash flows of the Award's National Office ("National Office"). They do not include the assets, liabilities, operations and cash flows of the Award's Operating Divisions, as they are separate legal entities with separate Boards of Directors.

Revenue recognition

Revenue from donations is recorded when received. Interest is recognized on the accrual basis. Restricted donations for which no corresponding restricted fund is presented are deferred and recognized in income when the related expense is incurred.

Pledges are recognized as receivable if the amounts can be reasonably estimated and collection is reasonably assured.

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, except for investments. The Organization has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the statement of revenue and expenses.

Investments

Investments are carried at fair value at the year end. Equities are valued at the closing bid price. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

All transactions costs are expensed as incurred.

In-kind donations

The Organization recognizes contributions of materials when a fair value can be reasonably estimated and when the materials are used in the normal course of operations and would otherwise have been purchased. The organization also accepts donation of items for sale or auction with a valid appraisal in keeping with Canada Revenue Agency regulations.

The Duke of Edinburgh's International Award – Canada

Notes to the financial statements

December 31, 2019

2. Significant accounting policies (continued)

Capital assets

Effective January 1, 2019, the Organization changed its method for amortizing computer hardware, computer software and equipment from declining balance to straight-line. The change in amortization methodology reflects the usage of the assets in connection with the expanded programming and management believes that straight-line amortization better reflects the future economic benefits related to these assets. The change in amortization methodology was applied retrospectively, and did not have any impact on the net book value of capital assets as at January 1 or December 31, 2018.

Capital assets are recorded at cost and amortization is calculated over the following periods:

Computer hardware	3 years
Computer software	3 years
Equipment	3 years
Leasehold improvements	over the terms of the lease

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Balances requiring significant estimates and assumptions include the collectability of accounts receivable, valuation of investments, accrued liabilities and amortization expense.

3. In-kind donations

There were \$24,656 in-kind donations in 2019 (\$18,810 in 2018) that are recorded as revenue in the statement of revenue and expenses. The amount represents the proceeds from the sale of donated shares.

4. Investments

Short-term investments relate to the following fund balance:

	2019	2018
	\$	\$
National Contingency Fund	51,168	51,168

The short-term investments consist of funds in guaranteed investment certificates with variable interest rates based on prime minus 2.7%. The carrying value of the short-term investments approximates their fair value due to their relatively short-term to maturity.

The Duke of Edinburgh's International Award – Canada

Notes to the financial statements

December 31, 2019

4. Investments (continued)

An analysis of the carrying value of long-term investments, which relate to the Anniversary Endowment Fund, is as follows:

	2019 \$	2018 \$
Pooled funds:		
Money market fund	201,142	—
Bond fund	630,342	596,328
Global fund	2,767,912	2,670,105
Total returns bond fund	109,070	103,568
	3,708,466	3,370,001

The investment portfolio is allocated as follows:

	2019 \$	2018 \$
Cash and cash equivalents	218,800	37,070
Fixed income	737,985	670,631
Domestic equities	634,147	572,900
Foreign equities	2,117,534	2,089,400
	3,708,466	3,370,001

5. Capital assets

	Cost \$	Accumulated amortization \$	2019 Net book value \$	2018 Net book value \$
Computer hardware	30,272	19,522	10,750	337
Computer software	14,125	13,888	237	527
Equipment	1,273	1,039	234	292
Leasehold improvements	31,600	11,411	20,189	29,234
	77,270	45,860	31,410	30,390

6. Related party transactions

- (a) The Duke of Edinburgh's Award International Foundation ("International Foundation") collects all donations from the World Fellowship Fund and when stipulated sends 50% to the Organization. During the year, the Organization received \$nil (nil in 2018) from the World Fellowship Fund.
- (b) Amounts Due to Operating Divisions are unsecured, non-interest bearing and have no fixed terms of repayment. The long-term Due to Divisions was established in 2014 when two donors pledged \$25,000 and \$21,250 respectively per year to the Charter for Business as designated funds over 6 years. They both subsequently chose to pay their pledge in one lump sum. These funds were allocated to the divisions annually from 2014. The final payment was allocated to the divisions in 2019.

The Duke of Edinburgh's International Award – Canada

Notes to the financial statements

December 31, 2019

6. Related party transactions (continued)

- (c) During the year, the Organization distributed funds from fundraising activities to the Operating Divisions totaling \$321,872 (\$350,574 in 2018).
- (d) At December 31, the Organization had \$41,042 (\$27,666 in 2018) accounts receivable owing from Operating Divisions.

7. Restricted funds

Charter for Business Fund

The Charter for Business Fund is a special national fundraising initiative undertaken to provide funds to ensure that every young Canadian has the opportunity to participate in the Duke of Edinburgh's Award program. Funds transferred to the Unrestricted Fund during the year of \$134,325 (\$183,500 in 2018) represent designated donations and designated revenue to cover a portion of operating expenses.

Anniversary Endowment Fund

In 2016, the 40th Anniversary Endowment Fund and the 20th Anniversary Endowment Fund were combined into The Anniversary Endowment Fund. The 20th Anniversary Endowment Fund was established by the Organization in 1983 to generate investment income to support the operations of the National Office. The 40th Anniversary Endowment Fund was established in 2005 with the objective of reducing the Award's dependence on annual fundraising activities. Initial funding of the 40th Anniversary Endowment Fund consisted of a transfer from the Special Events Fund that was established from the proceeds from the 40th Anniversary Gala.

The capital of the Anniversary Endowment Fund has increased annually through a transfer from the Charter for Business Fund. Since 2017, the Organization has redirected these funds to the Unrestricted Fund.

Each year, 2% of the average value of the Anniversary Endowment Fund is transferred to the Charter for Business Fund. Since 2017, the Organization has redirected these funds to the Unrestricted Fund.

Additionally, each year, 2% of the average value of the Anniversary Endowment Fund has been transferred to the Unrestricted Fund. The amount transferred during 2019 to the Unrestricted Fund was \$134,800 (\$134,730 in 2018).

Forum 2015 Fund

In 2015 Canada hosted the International Forum which was a significant financial commitment. In order to track revenue raised for this event and the associated expenses, a Forum 2015 Fund was established in 2011.

National Contingency Fund

The National Contingency Fund was established in 2000 to provide a reserve intended to allow the National Office to cope with any unforeseen demands that it may face.

The Duke of Edinburgh's International Award – Canada

Notes to the financial statements

December 31, 2019

7. Restricted funds (continued)

Canada Service Corps Fund

In December 2017, the Organization entered into a contractual agreement with the Canadian Federal Government – Employment and Social Development Canada (ESDC). This funded initiative is referred to as Canada Service Corps by ESDC and is designed to encourage civic engagement in our country's youth. Through three youth led forums held over a period of two years this program will foster engagement and leadership growth in Canadian youth from across the country. Participants will be inspired by key-note speakers, take part in workshops, team building exercises and outdoor activities that will develop their passion for change into concrete action plans that can be executed within their own communities.

The initial contractual agreement and funding was contracted to end March 31, 2020, however, in July 2019, this contract was extended to March 31, 2021 and scaled up to include the training and deployment of award leaders across the country. However, ESDC has the option to cancel this program should their program funding not be renewed by the Federal Government.

Open for Gold Fund

In November 2018, the Organization was granted funds in support of an Open for Gold program initiative to nationally increase the reach of the Gold Award level, by enrolling more young people who are 16 years or older to the Gold level. The Gold level attracts young people who are beginning take their next step into either a post-secondary or work environment. This is the level of the Award that develops the most effective and recognized work/life skills. The objectives of the program include: increasing participation of young people into the Gold Level; enhance skills developed by completing the Award; increase our network of adult volunteers who will act as Award Leaders and mentors to participants; develop a career support platform to connect Award Holders to corporate entities and other supporters, and engage our network of donors, supporters and alumni to develop a robust platform of tools and resources. In 2019, \$100,000 was received in funding for the program (\$100,000 in 2018).

Gogama Remote Learning Fund

In June 2018, the Organization received a gift agreement with a focus on three key purposes: increasing Access to the Award, regardless of socio or economic factors, in particular attracting and providing support to at risk and marginalized youth (inner city, aboriginal youth, youth with disabilities and young offenders); increasing the Reach of the Award to all areas and groups across Canada; increasing the Impact of the Award, ensuring more young Canadians complete their Award and bring benefit to their communities. The gift is directed to the Ontario division to extend the program in the Gogama/Sudbury/Timmins region with a focus on assisting indigenous and marginalized youth in the region to register and succeed in the Award program; and to the National Award office to develop a general learning approach to build capacity in remote regions and develop up to four core modules of learning for potential Award volunteers. In 2019, \$25,000 was received in funding for the Award (\$25,000 in 2018) to be split between the Duke of Edinburgh's Ontario Division (\$7,000 of which \$5,500 was distributed to the division in 2019) and the Duke of Edinburgh's International Award – Canada (\$18,000).

8. Risk management

Interest rate risk

The Organization is exposed to interest rate risk with respect to its investment in a Fixed Income Mutual Fund. Changes in the prime interest rate will have a positive or negative impact on the Organization's long-term investments. Such exposure will increase accordingly should the Organization maintain higher levels of investments in the future.

The Duke of Edinburgh's International Award – Canada

Notes to the financial statements

December 31, 2019

8. Risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization's investment policy defines permitted investments and provides guidelines and restrictions on acceptable investments which minimizes credit risk.

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices (other than those arising from interest rate or foreign exchange risk) whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. To mitigate this risk, the Organization invests in a diversified portfolio of investments within the Organization's investment policy.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization invests in non-Canadian equities through the mutual funds and is therefore directly exposed to currency risk as the value of the equities denominated in other currencies will fluctuate due to changes in exchange rates.

9. Invested in Capital Assets Fund

The Invested in Capital Assets Fund reflects the net book value of the Organization's capital assets invested in with unrestricted funds.

10. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee.

The only such guarantee relates to the indemnity that has been provided to all directors and/or officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the Organization, subject to certain restrictions. The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of this indemnification agreement prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

11. Accounts payable and accrued liabilities

There is \$2,774 in outstanding government remittances as at December 31, 2019 (nil in 2018) for Employer Health Tax as payroll for these years exceeded the exemption limit.

The Duke of Edinburgh's International Award – Canada

Notes to the financial statements

December 31, 2019

12. Credit facility

The Organization has access to an operating line of credit with a major chartered bank with interest payable at prime plus 1.25%, of which nil has been withdrawn as at December 31, 2019 and December 31, 2018.