THE DUKE OF EDINBURGH'S
AWARD YOUNG CANADIANS
CHALLENGE (MANITOBA DIVISION) INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

July 22, 2020

INDEPENDENT AUDITOR'S REPORT

To the Directors of
The Duke of Edinburgh's Award Young Canadians
Challenge (Manitoba Division) Inc.:

Opinion

We have audited the financial statements of The Duke of Edinburgh's Award Young Canadians Challenge (Manitoba Division) Inc. (the Organization), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and change in net assets and cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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.

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 the 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 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 controls.
- 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 Group 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.

DRAFT LLP

Chartered Professional Accountants
Winnipeg, Canada

THE DUKE OF EDINBURGH'S AWARD YOUNG CANADIANS CHALLENGE (MANITOBA DIVISION) INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,168	$ 62,041
Accounts receivable	1,176	830
Prepaid expenses	976	2,138
	69,320	65,009
Capital assets (Note 3)	169	509
	$ 69,489	$ 65,518
LIABILITIES		
Current liabilities		
Accounts payable	$ 4,157	$ 8,720
Government remittances payable	664	949
Notes payable - The Duke of Edinburgh's International Award - Canada (Note 4)	28,000	-
Deferred contributions (Note 5)	12,897	60,500
	45,718	70,169
NET ASSETS		
Invested in capital assets	169	509
Unrestricted	23,602	(5,160)
	23,771	(4,651)
	$ 69,489	$ 65,518

APPROVED BY:

__________________________ **Director**

__________________________ **Director**

THE DUKE OF EDINBURGH'S AWARD YOUNG CANADIANS CHALLENGE (MANITOBA DIVISION) INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31

	2019	2018
Revenue:		
Canoe trip	$ -	$ 229
Donations - individual	9,046	7,472
Donations - corporate	1,500	18,962
Endowment income - Winnipeg Foundation (Note 6)	17,578	16,350
Foundation	85,000	70,670
Fundraising and other revenue	5,700	168
National Charter for Business	20,913	60,201
Grants	29,000	23,060
Criminal property forfeiture grant	-	12,707
Registrations	9,574	12,740
	178,311	222,559
Expenses:		
Program-		
Canoe trip	2,850	5,255
Ceremonies	448	390
Communications	1,390	1,003
National meetings	3,519	5,746
Outreach	3,445	35,191
Salaries and benefits	109,064	176,632
Supplies	2,546	726
	123,262	224,943
Administration-		
Advertising and promotion	754	1,856
Committee meetings	27	778
Amortization	340	340
Insurance	2,740	2,406
Interest and bank charges	952	912
Office	14,706	16,971
Professional fees	5,351	2,738
Training	1,757	1,629
	26,627	27,630
	149,889	252,573
Difference between revenue and expenses	$ 28,422	$ (30,014)

THE DUKE OF EDINBURGH'S AWARD YOUNG CANADIANS CHALLENGE (MANITOBA DIVISION) INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31

	Invested in capital assets	Unrestricted	2019	2018
Balance, beginning of year	$ 509	$ (5,160)	$ (4,651)	$ 25,363
Difference between revenue and expenses	(340)	28,762	28,422	(30,014)
Balance, end of year	$ 169	$ 23,602	$ 23,771	$ (4,651)

THE DUKE OF EDINBURGH'S AWARD YOUNG CANADIANS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

	2019	2018
Cash flow from operating activities:		
Cash receipts from donations and other sources	$ 113,020	$ 245,843
Cash paid to suppliers and employees	(152,528)	(231,957)
Interest paid	(943)	(912)
Winnipeg Foundation endowment received	17,578	16,350
	(22,873)	29,324
Cash flow from financing activities:		
Proceeds from note payable	28,000	-
Change in cash	5,127	29,324
Cash and cash equivalents, beginning of year	62,041	32,717
Cash and cash equivalents, end of year	$ 67,168	$ 62,041

1. Purpose of the Organization:

The Duke of Edinburgh's Award Young Canadians Challenge (Manitoba Division) Inc. (the Organization) was incorporated on March 4, 2002 and commenced operations on that date. The Organization is a youth program that challenges young people to develop character, leadership and personal discipline. The Organization is incorporated under the Corporations Act of Manitoba as a not-for-profit organization and is exempt from income taxes under section 149(1)(l) of the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations. The financial statements reflect the following significant accounting policies:

a) Critical accounting estimates and judgments-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known.

Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments.

Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

b) Financial instruments-

Except for certain related party transactions, financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transaction costs related to financial instruments that will be measured subsequently at fair value are recognized in difference between revenue and expenses for the period incurred.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. Significant accounting policies (continued)**:**

b) Financial instruments (continued)-

In subsequent periods, investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Organization may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments that were previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Organization measures all financial instruments at amortized cost.

The Organization assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is included in the difference between revenue and expenses.

c) Cash and cash equivalents-

Cash and cash equivalents consist of balances with banks and money market funds readily convertible into cash.

d) Revenue recognition-

The Organization follows the deferral method of accounting for contributions. Restricted contributions are 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. Revenues from canoe trip, national charter for business, and registrations are recognized as revenue when earned and collection is reasonably assured. Grants relating to program delivery and administration are recognized as revenue in the year in which they apply. Interest is recognized on a time proportion basis.

e) Contributed services-

Volunteers contribute time to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. During the years ended December 31, 2019 and 2018, the Organization was provided with rent free premises which are not recognized in the financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. Significant accounting policies (continued):

f) Capital assets-

Capital assets are recorded at cost and amortized over their estimated useful lives, except for contributed assets which are recorded at fair market value at the time of the contribution. This requires estimation of the useful life of the asset and its salvage and residual value. When a capital asset is impaired, the excess of its net carrying amount over the asset's fair value or replacement cost is recognized as an expense. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

Capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment	10.00%
Computer equipment	33.33%

3. Capital assets:

	2019		2018	
	Cost	Accumulated amotization	Cost	Accumulated amortization
Office equipment	$ 962	$ 962	$ 962	$ 962
Computer equipment	6,621	6,452	6,621	6,112
	$ 7,583	$ 7,414	$ 7,583	$ 7,074
Net book value	$ 169		$ 509	

4. Notes payable - The Duke of Edinburgh's International Award - Canada:

During the year ended December 31, 2019, the Duke of Edinburgh's International Award – Canada, advanced the Organization funds totalling $28,000. The funds are non-interest bearing, secured by a promissory note requiring repayment by December 31, 2020.

5. Deferred contributions:

	2019	2018
Balance, beginning of year	$ 60,500	$ 28,455
Contributions received in the year	12,897	60,500
Amounts recognized as revenue in the year	(60,500)	(28,455)
Balance, end of year	$ 12,897	$ 60,500

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

6. Endowment income – Winnipeg Foundation:

The Organization entered into an agreement with The Winnipeg Foundation in February, 2003, for the establishment of an Endowment Fund. The Winnipeg Foundation holds the capital in perpetuity, invests it in their consolidated trust fund and distributes the earnings therefrom to the Organization in accordance with the Foundation's distribution policy. Endowment income of 5.0% per year (2018 - 4.8%) based on the average market value over the prior three years is earned. Earnings are derived from income and capital appreciation and any earnings less than or in excess of distributions and administrative costs are reflected in the market value of the Endowment Fund's assets. The capital remains the property of The Winnipeg Foundation and is not available to the Organization.

	2019	2018
Balance, beginning of year	$ 296,546	$ 261,542
Independent direct contributions	4,408	34,320
Winnipeg Foundation matching contribution	-	684
Balance, end of year	$ 300,954	$ 296,546
Market value, end of year	$ 393,503	$ 350,320

7. Risk management:

Management's risk management policies are typically performed as a part of the overall management of the Organization's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Organization is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Organization has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Organization management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them are as follows:

Liquidity risk-

Liquidity risk is the risk that the Organization cannot meet its financial obligations associated with financial liabilities in full. The Organization's main sources of liquidity are its operations and external contributions. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Organization's financial obligations associated with financial liabilities.

Interest rate risk-

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as interest rate cash flow risk, or on the fair value of other financial assets and liabilities, known as interest rate price risk. The Winnipeg Foundation's investment policies minimizes cash flow risk.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

7. Risk management (continued):

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Organization has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Organization also may review credit history before establishing credit and reviews credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. The Organization does not have an allowance for doubtful accounts.

8. Subsequent events:

Subsequent to December 31, 2019, the outbreak of the novel strain of coronavirus ("COVID-19"), has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Organization in future periods.