

**THE DUKE OF EDINBURGH'S
INTERNATIONAL AWARD -
CANADA**

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Independent Auditor's Report
Statement of Financial Position
Statement of Operations and Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements



CHARTERED
PROFESSIONAL
ACCOUNTANTS

KELLY HUIBERS McNEELY

PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Members of The Duke of Edinburgh's International Award - Canada

Qualified Opinion

We have audited the accompanying financial statements of The Duke of Edinburgh's International Award - Canada ("the Organization"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and 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.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022, 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 Qualified 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 qualified opinion.

In common with many not-for-profit organizations, the Organization derives revenue from donations and contributions, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, net revenue, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at the beginning and the end of the years ended December 31, 2022 and 2021. The audit opinion on the financial statements for the year ended December 31, 2021 was also qualified because of the possible effects of this limitation in scope.

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Other Matter

The financial statements of the Organization for the year ended December 31, 2021, were audited by another auditor who expressed a modified opinion (see above) on those statements on March 30, 2022.

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 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 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.
- 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.

Kelly Huibers McNeely
Professional Corporation

Stittsville, Ontario
March 22, 2023

Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

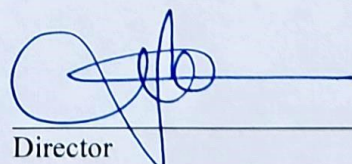
STATEMENT OF FINANCIAL POSITION

as at December 31, 2022

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 532,364	\$ 1,428,175
Restricted cash	-	61,768
Accounts receivable	155,992	493,865
Government receivables	111,060	48,500
Prepaid expenses	99,854	126,876
Inventory (note 3)	<u>7,397</u>	<u>15,190</u>
	906,667	2,174,374
 INVESTMENTS (note 4)	 3,469,847	 4,011,200
 CAPITAL ASSETS (note 5)	 130,771	 148,057
	\$ 4,507,285	\$ 6,333,631
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 6)	\$ 128,628	\$ 169,693
Deferred revenue	-	920
Deferred contributions related to expenses of future periods (note 7)	<u>502,415</u>	<u>1,031,788</u>
	631,043	1,202,401
 NET ASSETS	 3,876,242	 5,131,230
	\$ 4,507,285	\$ 6,333,631

APPROVED ON BEHALF OF THE BOARD


Director


Director

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

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2022

	2022	2021
REVENUE		
Contributions - unrestricted	\$ 332,823	\$ 1,059,178
Contributions - restricted	2,671,226	1,857,197
Earned income	415,055	160,005
Merchandise	926	-
Miscellaneous (note 10)	<u>1,580</u>	<u>20,194</u>
	<u>3,421,610</u>	<u>3,096,574</u>
EXPENSES		
Finance and corporate services	236,274	136,283
Fundraising	12,150	4,565
Information technology	327,551	108,362
Marketing and communications	152,177	17,323
Professional fees	151,974	107,383
Program delivery	448,238	222,065
Remuneration	2,876,728	1,978,962
Travel	<u>114,647</u>	<u>8,696</u>
	<u>4,319,739</u>	<u>2,583,639</u>
NET REVENUE (EXPENSES) BEFORE THE UNDERNOTED	(898,129)	512,935
OTHER INCOME (EXPENSES)		
Investment income (loss)	(356,859)	561,781
Write down of advances	-	(16,500)
Gain on transfer of assets	<u>-</u>	<u>11,805</u>
NET REVENUE (EXPENSES)	(1,254,988)	1,070,021
NET ASSETS - BEGINNING OF YEAR	5,131,230	4,061,209
NET ASSETS - END OF YEAR	\$ 3,876,242	\$ 5,131,230

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

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	2022	2021
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net revenue (expenses)	\$ (1,254,988)	\$ 1,070,021
Items not affecting cash:		
Amortization of capital assets	94,325	33,321
Change in unrealized loss (gain) on investments	356,859	(550,712)
Forgiveness of bank loan	-	(20,000)
Forgiveness of loan to Operating Division	-	16,500
Gain on transfer of assets	-	(11,805)
Changes in non-cash working capital items:		
Accounts receivable	337,873	(370,702)
Government receivables	(62,560)	2,625
Prepaid expenses	27,022	(107,614)
Inventory	7,793	(3,385)
Accounts payable and accrued liabilities	(41,065)	55,352
Deferred revenue	(920)	(1,788)
Change in restricted cash	61,768	(50,255)
Deferred contributions related to expenses of future periods	<u>(529,373)</u>	<u>(590,980)</u>
	<u>(1,003,266)</u>	<u>(529,422)</u>
INVESTING ACTIVITIES		
Proceeds on sale of investments	184,494	350,668
Purchase of capital assets	(77,039)	(136,245)
Proceeds from assets acquired from Operating Divisions	<u>-</u>	<u>546,787</u>
	<u>107,455</u>	<u>761,210</u>
FINANCING ACTIVITIES		
Proceeds from bank loan	-	20,000
Repayment of bank loan	-	(40,000)
Repayment of Operating Division's bank loan	<u>-</u>	<u>(16,500)</u>
	<u>-</u>	<u>(36,500)</u>
NET CHANGE IN CASH	(895,811)	195,288
CASH - BEGINNING OF YEAR	1,428,175	1,232,887
CASH - END OF YEAR	<u>\$ 532,364</u>	<u>\$ 1,428,175</u>

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

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

1. OPERATIONS

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

In 2021, the Award began restructuring its governance, management and operating models. As part of this restructuring, various Operating Divisions were closed and the Award assumed substantially all of the assets and certain of the liabilities of those Divisions. In 2021, the Operating Divisions in Ontario, Quebec, New Brunswick, Newfoundland and Labrador, and Nova Scotia started the process of formal closure, informing Canada Revenue Agency of voluntary revocation, and transferring residual funds to the Award as agreed in transfer agreements. During 2022, this process continued with the closure of Operating Divisions in British Columbia, Saskatchewan, Alberta, and the remaining funds transferred from Ontario. The only remaining Operating Division is in Manitoba which is no longer licensed to deliver the Award. Consistent with previous years, the Award's financial statements do not include the assets, liabilities, operations or cash flows of the previous Operating Divisions except where those assets have been legally transferred as per the merger agreements.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Restricted Cash

Restricted cash represents cash received specifically for Canada Service Corps funding of youth grants and bursaries, held in an account administered by an arm's length organization. The Award directs payments from this account and has the right to withdraw its funds at any time. The account was closed during the year and all funds were disbursed.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Organization follows the deferral method of accounting for contributions which includes donations and government grants. Unrestricted contributions are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization does not restrict funds internally.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recorded as a direct increase to net assets. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital assets.

Interest is recognized on the accrual basis.

Deferred Contributions

The Award uses three categories of externally restricted contributions, each with their own mechanism for recognizing revenue: Work-scope; Jurisdictional; Performance.

Work-scope contributions have expected outcomes tied to the contribution and restrictions on the nature of the expenditures permitted.

Jurisdictional contributions are restricted to a particular jurisdiction, being a province or territory. Attributable expenses are incurred for the benefit of the specific jurisdiction only.

Performance contributions are restricted based on expected outcomes tied to the contribution.

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 options to measure investments, with any subsequent changes in fair value recorded in the statement of operations and changes in net assets.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of certificates and pins for recognizing new Award holders on their achievement. Inventory is valued at the lower of cost and net realizable value on a first-in, first-out basis.

Investments

Investments are carried at fair value. Equities are valued at the closing bid price. Short-term investments are valued at cost plus accrued interest, which approximates fair value. All related transaction 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 donations of items for sale or auction with a valid appraisal in keeping with Canada Revenue Agency regulations.

Capital Assets

Capital assets are initially recorded at cost and are then amortized over their estimated useful lives, on a straight-line basis, over the following terms:

Computer hardware	- 3 years
Computer software	- 3-5 years
Equipment	- 3 years
Leasehold improvements	- Over the term of the lease

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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Balances requiring significant estimates and assumptions include the collectability of accounts receivable, valuation of investments, accrued liabilities and amortization expense.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

3. INVENTORY

At December 31, 2022, the Award held the following inventory:

	Pins	Certificates	2022 Total	2021 Total
Opening	\$ 9,333	\$ 5,857	\$ 15,190	-
Transferred from Operating Divisions	-	-	-	11,805
Purchased	408	1,289	1,697	3,385
Used	(4,550)	(4,940)	(9,490)	-
	\$ 5,191	\$ 2,206	\$ 7,397	\$ 15,190

4. INVESTMENTS

Investments consist of the following Burgundy Asset Management Ltd. pooled funds:

	2022	2021
Money Market Fund	\$ 1,008	\$ 1,002
Bond Fund	492,933	563,550
Partners' Global Fund	2,918,794	3,384,547
Total Return Bond Fund	57,112	62,101
	\$ 3,469,847	\$ 4,011,200

The pooled funds consist of following underlying securities:

	2022	2021
Cash and cash equivalents	\$ 34,698	\$ 156,437
Fixed income	534,356	774,162
Domestic equities	666,211	621,736
Foreign equities	2,234,582	2,458,865
	\$ 3,469,847	\$ 4,011,200

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Computer hardware	\$ 98,208	\$ 71,332	\$ 26,876	\$ 27,994
Computer software	168,724	68,068	100,656	116,586
Equipment	7,267	4,028	3,239	3,477
Leasehold improvements	31,600	31,600	-	-
	\$ 305,799	\$ 175,028	\$ 130,771	\$ 148,057

6. RELATED PARTY BALANCES AND TRANSACTIONS

Operating Divisions

Amounts due to Operating Divisions are unsecured, non-interest bearing and have no fixed terms of repayment. At December 31, 2022, the Organization had \$nil (2021 - \$484) included in accounts payable and accrued liabilities owing to Operating Divisions.

At December 31, 2022, the Organization had \$nil (2021 - \$433,228) included in accounts receivable owing from Operating Divisions.

During the year, the Organization recognized revenue of \$611,371 (2021 - \$658,000) in respect of expenses incurred for the benefit of young people in the jurisdictions the Operating Divisions served.

During the prior year, the Organization loaned \$16,500 to an Operating Division to assist repayment of a loan. The Organization did not collect repayment of its advance and recorded a write down of advances in the statement of operations and changes in net assets.

Other related parties

Included in the statement of operations and changes in net assets are the following related party transactions:

- Marketing services - \$nil (2021 - \$8,000) paid to a corporation controlled by a Director of the Organization.
- Project expenses - \$nil (2021 - \$1,500) paid to a Director of the Organization.
- Office supplies - \$2,832 (2021 - \$1,480) paid to a corporation controlled by a Director of the Organization.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

7. DEFERRED CONTRIBUTIONS RELATED TO EXPENSES OF FUTURE PERIODS

	Balance 2021	Contributions received	Revenue recognized	Balance 2022
Work-scope	\$ 641,389	\$ 1,187,658	\$ (1,806,982)	\$ 22,065
Jurisdictional	307,066	900,788	(810,843)	397,011
Performance	83,333	340,320	(340,314)	83,339
	\$ 1,031,788	\$ 2,428,766	\$ (2,958,139)	\$ 502,415

8. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations. The Organization does not use derivative financial instruments to manage its risks.

Interest Rate Risk

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

Credit Risk

This risk relates to the potential 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.

THE DUKE OF EDINBURGH'S INTERNATIONAL AWARD - CANADA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

8. FINANCIAL INSTRUMENTS (continued)

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 pooled 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. 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 involvements 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 part 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.

10. GOVERNMENT ASSISTANCE

During 2020, the Government of Canada introduced a general financial support scheme in response to the economic impacts of the COVID-19 coronavirus pandemic. During 2020 and 2021, the Organization borrowed \$60,000 as a Revolving Facility ("the Facility") from a chartered bank as part of the Canada Emergency Business Account program. During 2021, the Organization repaid \$40,000 and the remaining \$20,000 of the amount advanced in respect of the loan was forgiven and included as miscellaneous revenue.