

Blue Sea Philanthropy Inc.
Non-consolidated Financial
Statements
For the Year Ended December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Blue Sea Philanthropy Inc.

Qualified Opinion

We have audited the non-consolidated financial statements of Blue Sea Philanthropy Inc. (the Entity), which comprise the non-consolidated statement of financial position as at December 31, 2019, the non-consolidated statements of operations and changes in net assets (deficiency) and cash flows for the year then ended, and notes to the non-consolidated 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 accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Entity as at December 31, 2019, and its non-consolidated financial performance and 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 Entity derives revenue from donations and fundraising, 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 Entity. Therefore, we were unable to determine whether any adjustments might be necessary to revenues, deficiency of revenue 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 (deficit) as at January 1 and December 31 for both the 2019 and 2018 years. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2018 was modified accordingly because of the possible limitation in scope.

The notes to the non-consolidated financial statements do not include the financial results of the controlled not-for-profit Blue Sea Philanthropy USA, Inc. as we were not able to obtain satisfactory audit evidence for the years ended December 31, 2019 and 2018. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2018 was modified accordingly because of the 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 Non-consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Entity'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 Entity'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 non-consolidated 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
June 23, 2020

Blue Sea Philanthropy Inc.
Non-consolidated Statement of Financial Position

December 31	2019	2018
Assets		
Current		
Cash (Note 2)	\$ 152,307	\$ 191,814
Accounts receivable	38,437	28,125
HST recoverable	23,442	27,578
Prepaid expenses	70,906	47,489
	285,092	295,006
Due from related party (Note 3)	6,985	9,852
Tangible capital assets (Note 4)	22,154	24,816
Trademarks (Note 5)	2	2
	\$ 314,233	\$ 329,676
Liabilities and Net Assets (Deficiency)		
Current		
Accounts payable and accrued liabilities	\$ 103,369	\$ 134,752
Deferred contributions (Note 6)	240,440	183,468
	343,809	318,220
Net Assets (Deficiency)		
Internally restricted	22,154	24,816
Deficit	(51,730)	(13,360)
	(29,576)	11,456
	\$ 314,233	\$ 329,676

On behalf of the Board:

_____ Director

Blue Sea Philanthropy Inc.
Non-consolidated Statement of Operations and
Net Assets (Deficiency)

For the year ended December 31	2019	2018
Revenue	\$ 8,518,275	\$ 7,381,945
Direct Costs		
Grant disbursements	6,304,537	5,363,074
Program costs (Schedule)	1,980,937	1,744,672
	<u>8,285,474</u>	<u>7,107,746</u>
	232,801	274,199
Expenses		
Amortization	12,228	11,276
Foreign exchange (gain) loss	2,867	(3,571)
Insurance	4,357	2,606
Office supplies and miscellaneous	31,449	46,307
Professional fees	8,826	7,280
Rent	40,016	49,250
Staff training and development	20,803	22,212
Staffing	129,804	106,895
Telephone and communications	2,098	14,527
Travelling and networking	21,385	21,029
	<u>273,833</u>	<u>277,811</u>
Deficiency of revenues over expenses	(41,032)	(3,612)
Net assets, beginning of the year	<u>11,456</u>	<u>15,068</u>
Net assets (deficiency), end of the year	<u>\$ (29,576)</u>	<u>\$ 11,456</u>

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

Blue Sea Philanthropy Inc.
Non-consolidated Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (41,032)	\$ (3,612)
Items not affecting cash:		
Amortization of tangible capital assets	12,228	11,276
Unrealized foreign exchange on amount due from related party	2,867	(3,571)
	<u>(25,937)</u>	4,093
Changes in non-cash working capital:		
Accounts receivable	(10,312)	(328)
HST receivable	4,136	4,085
Prepaid expenses	(23,417)	(17,546)
Accounts payable and accrued liabilities	(31,383)	(4,409)
Deferred contributions	56,972	35,829
	<u>(29,941)</u>	21,724
Cash flows from investing activities		
Purchase of tangible capital assets	<u>(9,566)</u>	<u>(6,702)</u>
Net increase (decrease) in cash	(39,507)	15,022
Cash, beginning of the year	<u>191,814</u>	<u>176,792</u>
Cash, end of the year	<u>\$ 152,307</u>	<u>\$ 191,814</u>

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

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Nature of Operations The Entity is incorporated without share capital under the laws of Canada and is engaged in the operation of helping registered charities raise funds by organizing fundraising events.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue Recognition The Entity follows the deferral method of accounting for contributions.

All contributions received for current year events are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received for an event held in a subsequent fiscal year are classified as deferred contributions and are recognized into revenue when the related event expenses are incurred.

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Leasehold improvements	Straight-line	lease term
Office furniture and equipment	Declining balance	20%

When a tangible capital asset no longer has any long-term service potential to the Entity, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Intangible Assets Purchased intangibles are initially recorded at cost. Contributed intangible assets are recorded at fair value at the date of contribution.

Intangibles with an indefinite useful life are not amortized.

Contributed Materials and Services Volunteers contribute many hours per year to assist the Entity 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. Contributed materials are not recognized in the financial statements unless they would normally be purchased by the Entity and their fair market value can be ascertained.

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation	<p>Foreign currency accounts are translated to Canadian dollars as follows:</p> <p>At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian Dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in excess of revenue over expenses for the year.</p>
Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition. Subsequently, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when indicators of impairment exist. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.</p>
Income Taxes	<p>The Entity is a non-profit organization and, as such, is not subject to income taxes on its earnings.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>
Controlled Entities	<p>Controlled not-for-profit organizations are not consolidated in the Entity's financial statements (Note 3).</p>
Harmonized Sales Tax	<p>The Entity received the public service bodies' rebate of 50% of the federal portion of HST paid and 82% of the provincial portion of HST paid in Ontario.</p>

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2019

2. Cash

The Entity's bank accounts are held at one chartered bank. The bank accounts earn interest at a nominal rate.

The cash balances includes \$34,565 denominated in US dollars (2018 - \$33,081), converted to \$44,892 Canadian (2018 - \$44,857).

3. Due from Related Party

The balance is due from Blue Sea Philanthropy USA, Inc., a controlled entity. The Entity appoints the majority of Blue Sea Philanthropy USA, Inc.'s Board of Directors and, according to the bylaws, a decision cannot be passed without the Entity's Board of Directors' approval. Blue Sea Philanthropy USA, Inc. is incorporated in the United States as a not-for-profit entity. Blue Sea Philanthropy USA, Inc. is engaged in the operation of helping registered charities raise funds by organizing fundraising events.

At year end the balance was written down to the cash balance on hand at Blue Sea Philanthropy USA, Inc.

4. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 16,847	\$ 15,444	\$ 16,847	\$ 12,636
Office furniture and equipment	53,501	32,750	43,935	23,330
	70,348	48,194	60,782	35,966
		\$ 22,154		\$ 24,816

5. Trademarks

The registered trademarks represent the rights to the names 'Coldest Night of the Year' and 'Ride for Refuge' and any goods and services associated with these events.

Blue Sea Philanthropy Inc.
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6. Deferred Contributions

	<u>2019</u>	<u>2018</u>
Balance, beginning of the year	\$ 183,468	\$ 147,639
Less: amounts recognized as revenue in the year	(183,468)	(147,639)
Add: amounts received related to the next year	<u>240,440</u>	<u>183,468</u>
Balance, end of year	<u>\$ 240,440</u>	<u>\$ 183,468</u>

7. Commitments

The Entity has entered into one operating lease agreement for its premises, expiring March 2020 with \$10,326 due in fiscal 2020.

8. Uncertainty due to Global Pandemic

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The entity's ability to continue to meet lease and other obligations as they come due is dependent on the continued ability to generate revenues and cash flows, including the available government subsidies. COVID-19 is not expected to have long-term effects on the charitable fundraising industry. At this time, the full potential impact of COVID-19 on the Entity is not known.

Blue Sea Philanthropy Inc.
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December 31, 2019

9. Financial Instruments

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially subject the Entity to concentrations of credit risk consist of cash and accounts receivable. The Entity has deposited its cash with a reputable financial institution, from which management believes the risk of loss to be remote. The credit risk on accounts receivable arises from donors and sponsors. Subsequent to year end, the credit risk related to the Entity's receivables has increased due to the impact of COVID-19, however, the risk of loss is considered low as the majority of receivables have been received as at the report date.

Liquidity risk

Liquidity risk is the risk that the Entity encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Entity will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

Currency Risk

The Entity undertakes revenue and purchase transactions in the normal course of business in foreign currencies and, therefore, is subject to gains and losses due to fluctuations in foreign currency exchange rates. Amounts denominated in foreign currencies have been disclosed in the financial statements. The Entity considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks.

10. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year presentation.

Blue Sea Philanthropy Inc.
Non-consolidated Schedule of Program Costs

For the year ended December 31	2019	2018
Accommodation	\$ 8,649	\$ 8,543
Consulting fees	19,956	16,371
Courier and postage	52,966	58,041
Event clothing	246,446	228,089
Event portal	128,843	108,575
Facility and other rentals	50,630	15,220
Flights	1,703	12,294
Gas and mileage	9,714	10,743
Insurance	61,173	41,814
Meals and sundry	36,447	28,482
Merchant and bank charges	161,458	133,852
Partner development	8,599	15,468
Printed materials	29,269	22,088
Professional fees	19,514	23,964
Salaries and wages	978,395	917,037
Signage	36,529	37,161
Software and licenses	46,785	36,490
Staff training and development	19,887	221
Supplies and other	22,426	14,934
Telephone, office and other	22,045	3,748
Vehicle rental	19,503	11,537
	<u>\$ 1,980,937</u>	<u>\$ 1,744,672</u>
