

Blue Sea Philanthropy Inc. o/a Blue
Sea Foundation
Non-consolidated Financial
Statements
For the Year Ended December 31, 2020

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation
Non-consolidated Financial Statements
For the Year Ended December 31, 2020

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Independent Auditor's Report

To the Board of Directors of

Qualified Opinion

We have audited the non-consolidated financial statements of Blue Sea Philanthropy Inc. o/a Blue Sea Foundation (the Entity), which comprise the non-consolidated statement of financial position as at December 31, 2020, the non-consolidated statements of operations, changes in net assets 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, 2020, 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, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets (deficiency) as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2019 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, 2020 and 2019. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2019 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 16, 2021

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation
Non-consolidated Statement of Financial Position

December 31	2020	2019
Assets		
Current		
Cash (Note 2)	\$ 318,346	\$ 152,307
Short-term investments (Note 3)	515,278	-
Accounts receivable	128,199	38,437
HST recoverable	19,758	23,442
Prepaid expenses	59,843	70,906
	1,041,424	285,092
Due from related party (Note 4)	5,863	6,985
Tangible capital assets (Note 5)	20,677	22,154
Trademarks (Note 6)	2	2
	\$ 1,067,966	\$ 314,233
Liabilities and Net Assets (Deficiency)		
Current		
Accounts payable and accrued liabilities	\$ 160,484	\$ 103,369
Deferred contributions (Note 7)	312,474	240,440
	472,958	343,809
Long-term debt (Note 8)	30,000	-
	502,958	343,809
Net Assets (Deficiency)		
Internally restricted	320,676	22,154
Unrestricted	244,332	(51,730)
	565,008	(29,576)
	\$ 1,067,966	\$ 314,233

On behalf of the Board:

_____ Director

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation
Non-consolidated Statement of Changes in Net Assets

For the year ended December 31	Internally Restricted	Unrestricted	2020	2019
Balance, beginning of the year	\$ 22,154	\$ (51,730)	\$ (29,576)	\$ 11,456
Excess (deficiency) of revenues over expenses	(12,105)	606,689	594,584	(41,032)
Purchase of tangible capital assets	10,627	(10,627)	-	-
Interfund transfer (Note 9)	300,000	(300,000)	-	-
Balance, end of the year	\$ 320,676	\$ 244,332	\$ 565,008	\$ (29,576)

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

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation
Non-consolidated Statement of Operations

For the year ended December 31	2020	2019
Revenue	\$ 8,750,188	\$ 8,518,275
Direct Costs		
Grant disbursements	6,474,833	6,304,537
Program costs (Schedule)	1,901,408	1,980,937
	<u>8,376,241</u>	<u>8,285,474</u>
	373,947	232,801
Expenses		
Amortization	12,105	12,228
Foreign exchange loss	1,122	2,867
Insurance	1,973	4,357
Office supplies and miscellaneous	12,249	31,449
Professional fees	3,957	8,826
Rent	2,727	40,016
Staff training and development	965	20,803
Employee benefits	84,266	129,804
Telephone and communications	621	2,098
Travelling and networking	5,898	21,385
	<u>125,883</u>	<u>273,833</u>
Excess (deficiency) of revenue over expenses before other income	248,064	(41,032)
Other income		
Government assistance (Note 10)	346,520	-
Excess (deficiency) of revenues over expenses	<u>\$ 594,584</u>	<u>\$ (41,032)</u>

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

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation
Non-consolidated Statement of Cash Flows

For the year ended December 31	2020	2019
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 594,584	\$ (41,032)
Items not affecting cash:		
Amortization of tangible capital assets	12,105	12,228
Canada Emergency Business Account - loan forgiveness	(10,000)	-
Unrealized foreign exchange on amount due from related party	1,122	2,867
	<u>597,811</u>	<u>(25,937)</u>
Changes in non-cash working capital:		
Accounts receivable	(89,762)	(10,312)
HST recoverable	3,684	4,136
Prepaid expenses	11,063	(23,417)
Accounts payable and accrued liabilities	57,114	(31,383)
Deferred contributions	72,034	56,972
	<u>651,944</u>	<u>(29,941)</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(10,627)	(9,566)
Purchase of short-term investments	(515,278)	-
	<u>(525,905)</u>	<u>(9,566)</u>
Cash flows from financing activities		
Advances of long-term debt	40,000	-
	<u>40,000</u>	<u>-</u>
Net increase (decrease) in cash	166,039	(39,507)
Cash, beginning of the year	<u>152,307</u>	<u>191,814</u>
Cash, end of the year	<u>\$ 318,346</u>	<u>\$ 152,307</u>

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

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation

Notes to Non-consolidated Financial Statements

December 31, 2020

1. Summary of Significant Accounting Policies

Nature of Operations	Blue Sea Philanthropy Inc. o/a Blue Sea Foundation is incorporated without share capital under the laws of Canada and is a registered charitable organization. The Entity 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	<p>The Entity follows the deferral method of accounting for contributions.</p> <p>Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions received 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.</p> <p>The Board of Directors may designate amounts of otherwise unrestricted net assets to be used for specific purposes. These amounts are classified as internally restricted within net assets.</p>									
Tangible Capital Assets	<p>Tangible capital assets are stated at cost less accumulated amortization.</p> <p>Amortization based on the estimated useful life of the asset is calculated as follows:</p> <table><thead><tr><th></th><th>Method</th><th>Rate</th></tr></thead><tbody><tr><td>Leasehold improvements</td><td>Straight-line</td><td>lease term</td></tr><tr><td>Office furniture and equipment</td><td>Declining balance</td><td>20%</td></tr></tbody></table> <p>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.</p>		Method	Rate	Leasehold improvements	Straight-line	lease term	Office furniture and equipment	Declining balance	20%
	Method	Rate								
Leasehold improvements	Straight-line	lease term								
Office furniture and equipment	Declining balance	20%								
Intangible Assets	<p>Purchased intangibles are initially recorded at cost. Contributed intangible assets are recorded at fair value at the date of contribution.</p> <p>Intangibles with an indefinite useful life are not amortized.</p>									

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation Notes to Non-consolidated Financial Statements

December 31, 2020

1. Summary of Significant Accounting Policies (continued)

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.
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	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.
Income Taxes	The organization is a registered charity and therefore is not subject to income taxes.
Use of Estimates	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.
Controlled Entities	Controlled not-for-profit organizations are not consolidated in the Entity's financial statements (Note 4).
Government Assistance	Government assistance received during the year for current expenses is included as income in the operating fund.

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation Notes to Non-consolidated Financial Statements

December 31, 2020

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 \$22,575 denominated in US dollars (2019 - \$34,565), converted to \$28,742 Canadian (2019 - \$44,892).

3. Short-term Investments

Short-term investments consist of guaranteed investment certificates earning interest at rates ranging from 0.10% to 0.40% and maturing between March 2021 and July 2021.

The short-term investment balances includes \$12,000 denominated in US dollars, converted to \$15,278 Canadian.

4. 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.

5. Tangible Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 16,847	\$ 16,847	\$ 16,847	\$ 15,444
Office furniture and equipment	64,128	43,451	53,501	32,750
	80,975	60,298	70,348	48,194
		\$ 20,677		\$ 22,154

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation
Notes to Non-consolidated Financial Statements

December 31, 2020

6. 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.

7. Deferred Contributions

	2020	2019
Balance, beginning of the year	\$ 240,440	\$ 183,468
Less: amounts recognized as revenue in the year	(240,440)	(183,468)
Add: amounts received related to the next year	312,474	240,440
Balance, end of year	<u>\$ 312,474</u>	<u>\$ 240,440</u>

8. Long-term Debt

	2020	2019
Canada Emergency Business Account, bearing no interest, maturing on December 21, 2022	<u>\$ 30,000</u>	<u>\$ -</u>

The organization received a \$40,000 Canada Emergency Business Account (CEBA) to finance qualifying non-deferrable expenses during the COVID-19 pandemic. The loan is non-interest bearing with no scheduled payments until December 31, 2022. If \$30,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$30,000 in loan payments have not been made by December 31, 2022, the full outstanding balance will be converted to a 5% interest bearing loan to be repaid in monthly installments over a three year period ending December 31, 2025. The \$10,000 forgivable portion has been included in government assistance (Note 10).

9. Internally Restricted Fund

The Board of Directors have approved to internally restrict a portion of the operating fund of \$300,000.

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation Notes to Non-consolidated Financial Statements

December 31, 2020

10. Government Assistance

During the year, the COVID-19 pandemic emerged and developed rapidly in the area which the organization serves. Due to the pandemic, the Federal Government of Canada announced the implementation of government assistance measures shortly after the COVID-19 pandemic was declared. Management has determined that the company qualified for Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS). Total government assistance of \$346,510 included in the Statement of Operations is composed of \$332,418 of CEWS, \$4,102 of CERS and \$10,000 for the forgivable portion of Canada Emergency Business Account. At year end, \$98,805 is included in accounts receivable.

The relevant terms and conditions applicable in order to be eligible for the assistance are as follows:

- Applicants must have a CRA payroll account
- Be an eligible type of employer (excludes public institutions)
- Have experienced a drop in revenue

Applicants may be required to return all or part of the subsidy payment if:

- Amendments are required related to previous applications (changes in circumstance, calculation errors)
- The CRA has reviewed the claim and reduced or denied the amount paid
- Applicant no longer qualifies for the payment, after it is received

11. Uncertainty due to Global Pandemic

The impact of COVID-19 has had a significant impact on the global and local economy. 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 earnings and cash flows, including the available government subsidies. COVID-19 is not expected to have long-term effects on the peer-to-peer fundraising industry. At this time, the full potential impact of COVID-19 on the organization is not known.

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation Notes to Non-consolidated Financial Statements

December 31, 2020

12. 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, accounts receivable and short-term investments. The Entity has deposited its cash and short-term investments 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, sponsors and the Federal Government of Canada. Subsequent to year end the Federal Government of Canada balance was received. Due to the outbreak of COVID-19 the credit risk related to the Entity's receivables has increased as there is increased uncertainty about whether customers will be able to make their required payments.

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, accrued liabilities and long-term debt.

This risk is has changed from the prior year due to the long-term debt received.

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.

The currency risk related to transactions denominated in foreign currency has increased due to the impact of COVID-19, which could lead to significant fluctuations in foreign currencies against the Canadian dollar. The extent of any future impact on the company's foreign exchange gains and losses is unknown.

Blue Sea Philanthropy Inc. o/a Blue Sea Foundation
Non-consolidated Schedule of Program Costs

For the year ended December 31	2020	2019
Accommodation	\$ 534	\$ 8,649
Consulting fees	38,495	19,956
Courier and postage	41,449	52,966
Event clothing	250,453	246,446
Event portal	127,602	128,843
Facility and other rentals	52,062	50,630
Flights	-	1,703
Gas and mileage	5,521	9,714
Insurance	62,693	61,173
Meals and sundry	9,813	36,447
Merchant and bank charges	167,490	161,458
Partner development	4,267	8,599
Printed materials	19,324	29,269
Professional fees	27,370	19,514
Salaries and wages	946,924	978,395
Signage	11,509	36,529
Software and licenses	62,298	46,785
Staff training and development	12,026	19,887
Supplies and other	17,349	22,426
Telephone, office and other	30,187	22,045
Vehicle rental	14,042	19,503
	<u>\$ 1,901,408</u>	<u>\$ 1,980,937</u>
