

Blue Sea Philanthropy Inc. o/a Blue
Sea Foundation
Non-consolidated Financial
Statements
For the Year Ended December 31, 2023

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Non-consolidated Financial Statements
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Tel: 519-576-5220
Fax: 519-576-5471
Toll-free: 1-888-236-5482
www.bdo.ca

BDO Canada LLP
150 Caroline Street S Suite 201
Waterloo ON N2L 0A5 Canada

Independent Auditor's Report

To the Board of Directors of Blue Sea Philanthropy Inc. o/a Blue Sea Foundation

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, 2023, the non-consolidated statements of operations, the non-consolidated statement of changes in net assets and the non-consolidated statement of 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, 2023, and its non-consolidated financial performance and its non-consolidated 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, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2022 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, 2023 and 2022. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2022 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
May 29, 2024

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

December 31	2023	2022
Assets		
Current		
Cash (Note 2)	\$ 575,427	\$ 913,740
Short-term investments (Note 3)	841,117	610,441
Accounts receivable	58,204	56,013
HST recoverable	90,777	82,013
Prepaid expenses	50,449	39,334
	1,615,974	1,701,541
Due from related party (Note 4)	167,307	64,062
Tangible capital assets (Note 5)	11,729	21,930
Trademarks (Note 6)	2	2
	\$ 1,795,012	\$ 1,787,535
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 81,142	\$ 73,211
Deferred contributions (Note 7)	660,834	541,632
	741,976	614,843
Long-term debt (Note 8)	-	30,000
	741,976	644,843
Net Assets		
Internally restricted	611,728	621,929
Unrestricted	441,308	520,763
	1,053,036	1,142,692
	\$ 1,795,012	\$ 1,787,535

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	2023	2022
Balance, beginning of the year	\$ 621,929	\$ 520,763	\$ 1,142,692	\$ 1,344,667
Excess (deficiency) of revenues over expenses	<u>(10,201)</u>	<u>(79,455)</u>	<u>(89,656)</u>	<u>(201,975)</u>
Balance, end of the year	<u>\$ 611,728</u>	<u>\$ 441,308</u>	<u>\$ 1,053,036</u>	<u>\$ 1,142,692</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 Operations

For the year ended December 31	2023	2022
Revenue	\$15,091,339	\$ 13,495,860
Direct Costs		
Grant disbursements	11,872,388	10,676,008
Program costs (Schedule)	2,935,898	2,738,806
	<u>14,808,286</u>	<u>13,414,814</u>
	283,053	81,046
Expenses		
Amortization	10,201	13,097
Insurance	2,819	8,660
Office supplies and miscellaneous	25,760	2,145
Professional fees	20,647	10,904
Rent	3,156	2,558
Staff training and development	1,077	1,448
Salaries and wages	404,897	276,680
Telephone and communications	1,256	1,186
Travelling and networking	3,876	5,244
	<u>473,689</u>	<u>321,922</u>
Excess (deficiency) of revenues over expenses before other income	<u>(190,636)</u>	<u>(240,876)</u>
Other income		
Cost recoveries (Note 4)	102,374	-
Recoverable from related party	-	35,105
Foreign exchange gain (loss)	(1,394)	3,796
	<u>100,980</u>	<u>38,901</u>
Deficiency of revenues over expenses	<u>\$ (89,656)</u>	<u>\$ (201,975)</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	2023	2022
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ (89,656)	\$ (201,975)
Items not affecting cash:		
Amortization of tangible capital assets	10,201	13,097
Unrealized foreign exchange on amount due from related party	1,394	(3,796)
	<u>(78,061)</u>	<u>(192,674)</u>
Changes in non-cash working capital:		
Accounts receivable	(2,191)	(5,252)
HST recoverable	(8,764)	(59,285)
Prepaid expenses	(11,115)	68,567
Accounts payable and accrued liabilities	7,931	(47,629)
Deferred contributions	119,202	87,923
	<u>27,002</u>	<u>(148,350)</u>
Cash flows from investing activities		
Purchase of tangible capital assets	-	(13,970)
Repayment of long term debt	(30,000)	-
Purchase of short-term investments	(841,117)	(610,441)
Proceeds on disposal of short-term investments	610,441	601,576
Advances to related party	(104,639)	(54,640)
	<u>(365,315)</u>	<u>(77,475)</u>
Net decrease in cash	(338,313)	(225,825)
Cash, beginning of the year	<u>913,740</u>	<u>1,139,565</u>
Cash, end of the year	<u>\$ 575,427</u>	<u>\$ 913,740</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, 2023

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 The Entity 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 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.

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.

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.

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.

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

December 31, 2023

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	Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Gains and losses on translation of monetary assets and liabilities are included in net income.
Financial Instruments	Arm's length financial instruments are recorded at fair value at initial recognition. Related party financial instruments quoted in an active market or those with observable inputs significant to the determination of fair value or derivative contracts are recorded at fair value at initial recognition. All other related party financial instruments are recorded at cost at initial recognition. Financial assets are tested for impairment when indicators of impairment exist.
Income Taxes	The Entity 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. Instead disclosure is required (Note 4).

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

December 31, 2023

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 \$469 denominated in US dollars (2022 - \$36,273), converted to \$621 Canadian (2022 - \$49,129).

3. Short-term Investments

Short-term investments consist of guaranteed investment certificates earning interest at rates of 4.00% and maturing between January and March 2024.

4. Related Party Transactions

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. The balance due from Blue Sea Philanthropy USA, Inc. is unsecured and has no fixed terms of repayment.

The following table summarizes the organization's transactions with Blue Sea Philanthropy USA, Inc. during the year:

	<u>2023</u>	<u>2022</u>
Location cost recovery	\$ 58,087	\$ -
Service agreement fee	44,287	-
	<u>\$ 102,374</u>	<u>\$ -</u>

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

December 31, 2023

5. Tangible Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 16,847	\$ 16,847	\$ 16,847	\$ 16,847
Office furniture and equipment	90,298	78,569	90,298	68,368
	107,145	95,416	107,145	85,215
		\$ 11,729		\$ 21,930

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

	2023	2022
Balance, beginning of the year	\$ 541,632	\$ 453,709
Less: amounts recognized as revenue in the year	(541,632)	(453,709)
Add: amounts received related to the next year	660,834	541,632
Balance, end of year	\$ 660,834	\$ 541,632

8. Long-term Debt

	2023	2022
Canada Emergency Business Account, repaid during the year	\$ -	\$ 30,000

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

December 31, 2023

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, 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 and sponsors.

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.

The Entity's exposure risk remains unchanged from the prior year.

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

For the year ended December 31	2023	2022
Accommodation	\$ 21,280	\$ 46,991
Consulting fees	82,915	18,267
Courier and postage	88,757	46,961
Event clothing	292,315	336,789
Event portal	231,048	207,639
Facility and other rentals	49,444	49,555
Flights	6,306	20,102
Gas and mileage	10,674	13,666
Insurance	87,392	80,185
Meals and sundry	46,564	35,160
Merchant and bank charges	306,096	271,770
Partner development	3,629	14,457
Printed materials	36,682	48,067
Professional fees	66,688	41,340
Salaries and wages	1,253,511	1,260,432
Signage	69,660	21,470
Software and licenses	127,486	83,340
Staff training and development	16,298	23,936
Supplies and other	77,696	40,656
Telephone, office and other	19,674	40,487
Vehicle rental	7,702	14,396
Marketing	34,081	23,140
	\$ 2,935,898	\$ 2,738,806