

MANITOBA 4-H COUNCIL INC.

Financial Statements
For the year ended August 31, 2021

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Independent Auditor's Report

To the Members of Manitoba 4-H Council Inc.

Qualified Opinion

We have audited the accompanying financial statements of Manitoba 4-H Council Inc. (the "Entity"), which comprise the statement of financial position as at August 31, 2021, and the statements of operations, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2021, and the results of its operations and its 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 fundraising activities and donations 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 not able to determine whether any adjustments might be necessary to fundraising and donations revenue, excess of revenues over expenses, and cash flows from operations for the years ended August 31, 2021 and 2020, current assets as at August 31, 2021 and 2020, and net assets as at September 1 and August 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended August 31, 2020 was modified accordingly because of the possible effects of this 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 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 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 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 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 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 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 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 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.

BDO Canada LLP

Chartered Professional Accountants

Brandon, Manitoba
November 20, 2021

Manitoba 4-H Council Inc.
Statement of Financial Position

August 31	2021	2020
Assets		
Current Assets		
Cash (Note 2)	\$ 425,758	\$ 561,483
Short-term investments (Note 3)	150,000	-
Accounts receivable	20,467	23,207
Inventories (Note 4)	19,384	15,424
Prepaid expenses	17,415	13,708
	633,024	613,822
Capital assets (Note 5)	46,881	13,362
	\$ 679,905	\$ 627,184

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 121,285	\$ 51,033
Deferred revenue (Note 7)	10,745	60,887
	132,030	111,920
Net Assets		
Unrestricted	507,666	500,156
Internally restricted (Note 9)	40,209	15,108
	547,875	515,264
	\$ 679,905	\$ 627,184

Approved on behalf of the Board:

 Director

D. Knitze Director

Manitoba 4-H Council Inc.
Statement of Changes in Net Assets

For the year ended August 31	Internally restricted	Unrestricted	Total 2021	Total 2020
Net assets, beginning of year	\$ 15,108	\$500,156	\$515,264	\$441,039
Excess of revenue over expenses for the year	-	32,611	32,611	74,225
Transfers (Note 7)	25,101	(25,101)	-	-
Net assets, end of year	\$ 40,209	\$507,666	\$547,875	\$515,264

**Manitoba 4-H Council Inc.
Statement of Operations**

For the year ended August 31	2021	2020
Revenue		
Member and leadership opportunities		
Communications	\$ 6,939	\$ 4,500
Japan homestay	296	5,000
Leader travel	2,000	3,800
Leadership development	13,227	15,785
Member development	24,484	45,086
Member travel	325	5,200
Scholarships	61,000	14,000
Young horse development	-	2,213
Board		
Board of directors meetings	2,608	16,000
Committee meetings	-	2,000
Director development and training	-	1,000
Council services		
Area council	15,600	34,300
Associates	100	-
Club awards (external)	3,175	1,250
Clubs	104,440	141,367
Marketing and image	13,893	7,525
Member, leader and director services	-	120
Sponsors and partners	89,306	10,327
Operations		
Overhead	57,938	65,254
Human resources	254,600	188,100
Virtual programming	5,000	-
	654,931	562,827
Expenses (Page 15)	610,741	485,262
Excess of revenue over expenses for the year before amortization	44,190	77,565
Amortization	(11,579)	(3,340)
Excess of revenue over expenses for the year	\$ 32,611	\$ 74,225

Manitoba 4-H Council Inc.
Statement of Cash Flows

For the year ended August 31	2021	2020
Cash Flows from Operating Activities		
Excess of revenues over expenses for the year	\$ 32,611	\$ 74,225
Adjustment for		
Amortization of property, plant and equipment	11,579	3,340
	<u>44,190</u>	<u>77,565</u>
Changes in non-cash working capital balances		
Accounts receivable	2,740	64,159
Inventories	(3,960)	(4,429)
Prepaid expenses	(3,707)	(26)
Accounts payable and other liabilities	70,253	3,955
Deferred revenue	(50,142)	(5,382)
	<u>15,184</u>	<u>58,277</u>
	<u>59,374</u>	<u>135,842</u>
Cash Flows from Investing Activities		
Purchase of short-term investments	(150,000)	-
Purchase of capital assets	(45,099)	-
	<u>(195,099)</u>	<u>-</u>
Increase (decrease) in cash during the year	(135,725)	135,842
Cash, beginning of year	<u>561,483</u>	<u>425,641</u>
Cash, end of year	<u>\$ 425,758</u>	<u>\$ 561,483</u>

Manitoba 4-H Council Inc.

Notes to Financial Statements

August 31, 2021

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Entity is an incorporated not-for-profit entity. The council is dedicated to enhancing 4-H in Manitoba by providing programs and services in partnership with shareholders. 4-H is a community-based Entity dedicated to the growth and development of rural youth. The council is dependent upon the commitment and contribution of community volunteers in all aspects of its operation, including the board of directors and its committees. The council is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Cost is net of related investment tax credits and government grants. Amortization based on the estimated useful life of the asset is calculated as follows:

Furniture and fixtures	20 % straight-line basis
Computer equipment	20 % straight-line basis
Project equipment	20 % straight-line basis

Revenue Recognition

The Entity follows the deferral method of accounting for restricted contributions.

Revenues are recognized when funds become receivable and collection is reasonably assured. Restricted contributions are recorded as revenue when the funds become receivable, collection is reasonably assured and the related expenses are incurred.

Sponsorships, donations and grants are recognized when the funds become receivable and collection is reasonably assured. If these revenues are restricted then they will be recorded as revenue when the funds become receivable, collection is reasonably assured and the related expenses are incurred.

Club and membership fees are recognized when funds are received and the services being offered have been rendered.

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Product sales are recognized when the risks and rewards of ownership have been transferred, the amount of revenue can be measured reliably, and collection is reasonably assured.

Investment income is recognized in the period it is receivable and collection is reasonably assured.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods the financial instruments are reported at cost or amortized cost less impairment, if applicable. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. When a significant change in the expected timing or amount of future cash flows of the financial asset is identified, the carrying amount of the financial asset is reduced and the amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, provided it is not greater than the amount that would have been reported on the date of the reversal had the impairment not been recognized previously, and the amount of the reversal is recognized in net income.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the Entity's long-lived assets may be impaired, a test of recoverability would be performed.

Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow value is required.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely dependent of the cash flows of other assets and liabilities.

**Manitoba 4-H Council Inc.
Notes to Financial Statements**

August 31, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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.

Contributed Materials and Services

Manitoba Agriculture contributes office space rent free to assist the Entity in carrying out its activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

2. Cash

Subsequent to year end the Entity transferred its cash balances to the Bank of Montreal. Funds now held at this financial institution in excess of \$100,000 may not be insured. Management does not anticipate any material effect on the financial position of the Entity as a result of this concentration.

3. Short-term Investments

Investments are recorded at market value and are held in various GIC's and interest bearing savings accounts

	2021	2020
Bank of Montreal GIC, bearing interest of 0.2%, maturing June 2022	\$ 30,000	\$ -
Bank of Montreal Money Market	120,000	-
	\$ 150,000	\$ -

Manitoba 4-H Council Inc.
Notes to Financial Statements

August 31, 2021

4. Inventories

	2021	2020
Promotional inventory	\$ 19,384	\$ 15,424

During the year the total inventory recognized as cost of goods sold was \$7,971 (2020 - \$7,656). No writedowns were recognized in the current year.

5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Project equipment	\$ 45,099	\$ 4,510	\$ -	\$ -
Furniture and fixtures	33,933	28,749	33,933	23,288
Computer equipment	9,322	8,214	9,322	6,605
	\$ 88,354	\$ 41,473	\$ 43,255	\$ 29,893
Net book value		\$ 46,881		\$ 13,362

6. Accounts payable and accrued liabilities

	2021	2020
Trade accounts payable	\$ 79,078	\$ 44,779
Government remittances	9,557	1,500
Wages payable	32,650	4,754
	\$ 121,285	\$ 51,033

7. Deferred Revenue

	2021	2020
Opening balance	\$ 60,887	\$ 66,269
Revenue recognized in year	(59,887)	(42,189)
Revenue deferred in year	9,745	36,807
	\$ 10,745	\$ 60,887

Deferred revenue consists of donations that have been restricted by the donors to be used for specific projects.

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2021

8. Related Party Transactions

Manitoba 4-H Council is a beneficiary of the Manitoba 4-H Endowment Fund Foundation resulting in the two entities being related parties. Each year a percentage of the Foundation's income, as specified in the trust agreement, must be paid to Manitoba 4-H Council to be awarded as scholarships. In 2021 the amount transferred was \$13,851 (2020 - \$14,089). The revenue is recognized as part of sponsorships and donations in the period that the related scholarship expense is incurred. Revenue for which the related scholarship has not yet been incurred is included in deferred revenue.

There are no amounts receivable from the Manitoba 4-H Endowment Fund Foundation.

Transactions are recorded at the exchange amount, which is the amount agreed to by the parties.

9. Internally Restricted Net Assets

Internally restricted net assets consists of funds that the board has decided to use for specific programs that will take place in the future. During 2021 \$38,407 (2020 - \$NIL) was transferred in for future use. During 2021 \$13,306 (2020 - \$1,800) was transferred out of restricted net assets to cover specific program expenditures approved by the board. These transactions resulted in a net increase (decrease) to the internally restricted funds of \$25,101 (2020 - (\$1,800)).

10. Alexander Cherban Agriculture Industry Development Program

The Entity administers a trust on behalf of the Alexander Cherban Agricultural Industry Development Program. The Entity is in possession of an asset of \$463,987 (2020 - \$NIL) related to that trust, which does not form a part of the Entity's assets or liabilities.

Activities within the trust consisted of the following:

	2021	2020
Opening Trust Balance	\$ -	\$ -
Contributions:		
Initial contribution	473,628	-
Interest	362	-
	473,990	-
Disbursements:		
Management fee	(10,000)	-
Bank charges	(3)	-
	463,987	-
Net Change to Trust	463,987	-
Ending Trust Balance	\$ 463,987	\$ -

Manitoba 4-H Council Inc.
Notes to Financial Statements

August 31, 2021

11. Revenue

	<u>2021</u>	<u>2020</u>
Sponsorships and donations	\$ 146,388	\$ 82,867
Club and membership fees	87,783	154,661
Grants	398,306	307,848
Product sales	13,772	7,802
Investment income	8,682	9,649
	<u>\$ 654,931</u>	<u>\$ 562,827</u>

12. Financial Risk Management

The Entity, as part of its operations, carries a number of financial instruments. It is management's opinion that the Entity is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise noted.

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. Credit risk arises principally from receivables. Receivables are the result of GST, scholarships and grants. The credit risk is minimal. There have not been any changes in the risk from the prior year.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the organization's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due. Instruments subject to liquidity risk are trade accounts payable. The risk is unchanged from the prior year.

13. Uncertainty due to COVID-19

The COVID-19 pandemic has had an economic impact on Canada and the global economy. This resulted in worldwide emergency measures to combat the spread of the virus. The global pandemic has disrupted economic supply chains. As part of these measures, the Entity cancelled many of the events it usually holds during the summer months. The duration of the disruption from the virus is unknown and given the dynamic nature of these circumstances, the related financial impact cannot be reasonably estimated. Management is actively monitoring the affect on its financial condition, liquidity, operations, industry and workforce.

**Manitoba 4-H Council Inc.
Schedule of Expenditures**

For the year ended August 31	2021	2020
Member and leadership opportunities		
Communications	\$ 1,820	\$ 21
Japan homestay	228	353
Leader travel	1,800	3,500
Leadership development	2,339	10,549
Member development	12,416	28,565
Member travel	200	6,688
Scholarships	58,753	14,135
Young horse development	-	1,902
Board		
Board of director meetings	2,228	13,678
Committee meetings	106	469
Director development and training	-	524
Council services		
Area council	15,574	25,331
Associates	8,929	11,309
Club awards (external)	2,925	1,949
Clubs	2,878	67
Marketing and image	16,507	7,389
Member, leader and director services	20,285	31,218
Sponsors and partners	59,540	2,864
Operations		
Overhead	(4,994)	44,957
Human resources		
Payroll and employer human resource costs	409,207	279,794
	\$ 610,741	\$ 485,262