

MANITOBA 4-H COUNCIL INC.

Financial Statements

For the year ended August 31, 2022

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Financial Statements

For the year ended August 31, 2022

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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, 2022, 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, 2022, 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, 2022 and 2021, current assets as at August 31, 2022 and 2021, and net assets as at September 1 and August 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended August 31, 2021 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 21, 2022

Manitoba 4-H Council Inc.
Statement of Financial Position

August 31	2022	2021
Assets		
Current Assets		
Cash (Note 2)	\$ 5,886	\$ 425,758
Short-term investments (Note 3)	270,123	150,000
Accounts receivable	17,301	20,467
Inventories (Note 4)	14,973	19,384
Prepaid expenses	25,237	17,413
	333,520	633,022
Long-term investments (Note 3)	200,000	-
Capital assets (Note 5)	37,224	46,881
	\$ 570,744	\$ 679,903

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 76,715	\$ 121,284
Deferred revenue (Note 7)	20,860	10,745
	97,575	132,029
Net Assets		
Unrestricted	431,735	507,665
Internally restricted (Note 9)	41,434	40,209
	473,169	547,874
	\$ 570,744	\$ 679,903

Approved on behalf of the Board:

_____ Director

_____ Director

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

For the year ended August 31	Internally restricted	Unrestricted	Total 2022	Total 2021
Net assets , beginning of year	\$ 40,209	\$507,665	\$547,874	\$515,263
Excess (deficiency) of revenue over expenses for the year	-	(74,705)	(74,705)	32,611
Transfers (Note 7)	1,225	(1,225)	-	-
Net assets , end of year	\$ 41,434	\$431,735	\$473,169	\$547,874

Manitoba 4-H Council Inc.
Statement of Operations

For the year ended August 31	2022	2021
Revenue		
Member and leadership opportunities		
Communications	\$ 16,568	\$ 6,939
Japan homestay	5,000	296
Leader travel	1,400	2,000
Leadership development	5,830	13,227
Member development	38,394	24,484
Member travel	700	325
Scholarships	57,320	61,000
Board		
Board of directors meetings	16,000	2,608
Council services		
Area council	74,300	15,600
Associates	250	100
Club awards (external)	7,850	3,175
Clubs	81,081	104,440
First Aid Training	1,600	-
Highway clean-up project	3,980	-
Marketing and image	2,586	13,893
Sponsors and partners	10,000	89,306
Operations		
Overhead	61,641	57,938
Human resources	152,100	254,600
Virtual programming	7,500	5,000
	544,100	654,931
Expenses (Page 17)	606,814	610,741
Excess (deficiency) of revenue over expenses for the year before amortization	(62,714)	44,190
Amortization	(11,991)	(11,579)
Excess (deficiency) of revenue over expenses for the year	\$ (74,705)	\$ 32,611

Manitoba 4-H Council Inc.
Statement of Cash Flows

For the year ended August 31	2022	2021
Cash Flows from Operating Activities		
Excess (deficiency) of revenues over expenses for the year	\$ (74,705)	\$ 32,611
Adjustment for		
Amortization of property, plant and equipment	11,991	11,579
	<u>(62,714)</u>	<u>44,190</u>
Changes in non-cash working capital balances		
Accounts receivable	3,166	2,740
Inventories	4,411	(3,960)
Prepaid expenses	(7,824)	(3,707)
Accounts payable and other liabilities	(44,568)	70,251
Deferred revenue	10,115	(50,142)
	<u>(34,700)</u>	<u>15,182</u>
	<u>(97,414)</u>	<u>59,372</u>
Cash Flows from Investing Activities		
Purchase of investments	(450,123)	(149,998)
Purchase of capital assets	(2,335)	(45,099)
Proceeds on sale of investments	130,000	-
	<u>(322,458)</u>	<u>(195,097)</u>
Decrease in cash during the year	(419,872)	(135,725)
Cash, beginning of year	<u>425,758</u>	<u>561,483</u>
Cash, end of year	\$ 5,886	\$ 425,758

Manitoba 4-H Council Inc.

Notes to Financial Statements

August 31, 2022

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Entity is an incorporated not-for-profit entity. The Entity 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 Entity 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 Entity 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, 2022

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, 2022

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, these contributed materials and services are not recognized in the financial statements.

Save on Foods and Heritage Co-op contributed gift cards to assist the Entity in carrying out its activities. These contributed materials have been recognized at the redemption value of the gift cards received.

2. Cash

The Entity has cash balances at 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.

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2022

3. Investments

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

	2022	2021
Bank of Montreal GIC, bearing interest of 0.2%, matured June 2022	\$ -	\$ 30,000
Bank of Montreal GIC, bearing interest at 1.25% maturing September 2022	80,000	-
Bank of Montreal GIC, bearing interest at 2.5% maturing June 2023	40,000	-
Bank of Montreal GIC, interest to be determined at maturity, maturing October 2024	65,000	-
Bank of Montreal GIC, interest to be determined at maturity, maturing October 2025	65,000	-
Bank of Montreal GIC, interest to be determined at maturity, maturing October 2026	70,000	-
Bank of Montreal Money Market	150,123	120,000
	\$ 470,123	\$ 150,000
Less: Short term investments	270,123	150,000
Long-term investments	\$ 200,000	\$ -

4. Inventories

	2022	2021
Promotional inventory	\$ 14,973	\$ 19,384

During the year the total inventory recognized as cost of goods sold was \$10,219 (2021 - \$7,971). No writedowns were recognized in the current year.

Manitoba 4-H Council Inc.
Notes to Financial Statements

August 31, 2022

5. Capital Assets

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Project equipment	\$ 45,099	\$ 13,530	\$ 45,099	\$ 4,510
Furniture and fixtures	33,933	30,947	33,933	28,749
Computer equipment	10,900	8,231	9,322	8,214
	\$ 89,932	\$ 52,708	\$ 88,354	\$ 41,473
Net book value		\$ 37,224		\$ 46,881

6. Accounts payable and accrued liabilities

	2022		2021	
Trade accounts payable	\$ 46,720		\$ 79,077	
Government remittances	9,398		9,557	
Wages payable	20,597		32,650	
	\$ 76,715		\$ 121,284	

7. Deferred Revenue

	2022		2021	
Opening balance	\$ 10,745		\$ 60,887	
Revenue recognized in year	(10,745)		(59,887)	
Revenue deferred in year	20,860		9,745	
	\$ 20,860		\$ 10,745	

Deferred revenue consists of donations that have been restricted by the donors to be used for specific projects and member fees received in advance.

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2022

8. Related Party Transactions

Manitoba 4-H Council Inc. 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 Inc. to be awarded as scholarships. In 2022 the amount transferred was \$17,485 (2021 - \$13,851). 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 2022 \$5,000 (2021 - \$38,407) was transferred in for future use. During 2022 \$3,775 (2021 - \$13,306) 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 \$1,225 (2021 - \$25,101).

Manitoba 4-H Council Inc.
Notes to Financial Statements

August 31, 2022

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 \$404,273 (2021 - \$463,987) 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:

	<u>2022</u>	<u>2021</u>
Opening Trust Balance	\$ 463,987	\$ -
Contributions:		
Initial contribution	-	473,628
Interest	286	362
Net change in investments	-	-
	286	473,990
Disbursements:		
Management fee	(10,000)	(10,000)
Bank charges	-	(3)
Grant Awards	(50,000)	-
	(60,000)	(10,003)
Net Change to Trust	(59,714)	463,987
Ending Trust Balance	\$ 404,273	\$ 463,987

11. Revenue

	<u>2022</u>	<u>2021</u>
Sponsorships and donations	\$ 97,396	\$ 146,388
Club and membership fees	85,929	87,783
Grants	364,591	398,306
Product sales	1,533	13,772
Investment income	(5,349)	8,682
	\$ 544,100	\$ 654,931

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2022

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 Entity'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 continued to deal with restrictions that affected the events it was able to hold during the year. 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	2022	2021
Member and leadership opportunities		
Communications	\$ 17,827	\$ 1,820
Japan homestay	-	228
Leader travel	7,195	1,800
Leadership development	4,389	2,339
Member development	8,155	12,416
Member travel	-	200
Scholarships	57,677	58,753
Board		
Board of director meetings	9,554	2,228
Committee meetings	-	106
Council services		
Area council	36,627	15,574
Associates	6,454	8,929
Club awards (external)	8,454	2,925
Clubs	2,835	2,878
First Aid Training	800	-
Highway clean-up project	3,980	-
Marketing and image	3,672	16,507
Member, leader and director services	25,918	20,285
Sponsors and partners	245	59,540
Operations		
Overhead	42,090	(4,994)
Human resources		
Payroll and employer human resource costs	370,942	409,207
	\$ 606,814	\$ 610,741