

MANITOBA 4-H COUNCIL INC.

Financial Statements

For the year ended August 31, 2023

MANITOBA 4-H COUNCIL INC.

Financial Statements

For the year ended August 31, 2023

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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, 2023, 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, 2023, 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, 2023 and 2022, current assets as at August 31, 2023 and 2022, and net assets as at September 1 and August 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended August 31, 2022 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, 2023

Manitoba 4-H Council Inc. Statement of Financial Position

August 31	2023	2022
Assets		
Current Assets		
Cash (Note 2)	\$ 155,011	\$ 5,886
Short-term investments (Note 3)	154,833	270,123
Accounts receivable	123,597	17,301
Inventories (Note 4)	13,012	14,973
Prepaid expenses	14,898	25,238
	<u>461,351</u>	<u>333,521</u>
Long-term investments (Note 3)	135,000	200,000
Capital assets (Note 5)	41,339	37,224
	<u>\$ 637,690</u>	<u>\$ 570,745</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 151,829	\$ 76,716
Deferred revenue (Note 7)	124,728	20,860
	<u>276,557</u>	<u>97,576</u>
Net Assets		
Unrestricted	340,106	431,735
Internally restricted (Note 9)	21,027	41,434
	<u>361,133</u>	<u>473,169</u>
	<u>\$ 637,690</u>	<u>\$ 570,745</u>

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 2023	Total 2022
Net assets , beginning of year	\$ 41,434	\$431,735	\$473,169	\$547,874
Excess (deficiency) of revenue over expenses for the year	-	(112,036)	(112,036)	(74,705)
Transfers (Note 7)	(20,407)	20,407	-	-
Net assets , end of year	\$ 21,027	\$340,106	\$361,133	\$473,169

Manitoba 4-H Council Inc. Statement of Operations

For the year ended August 31	2023	2022
Revenue		
Member and leadership opportunities		
Communications	\$ 24,754	\$ 16,568
Japan homestay	53,162	5,000
Leader travel	16,585	1,400
Leadership development	15,513	5,830
Member development	58,644	38,394
Member & leader opps	300	-
Member travel	7,500	700
Rally	25,068	-
Scholarships	53,374	57,320
Volunteer appreciation	239	-
Board		
Board of directors meetings	16,000	16,000
Council services		
Area council	74,300	74,300
Associates	-	250
Employment & social development	67,891	-
Club awards (external)	6,888	7,850
Clubs	107,585	81,081
Community services recovery fund	60	-
First aid training	-	1,600
Highway clean-up project	-	3,980
Marketing and image	9,414	2,586
Sponsors and partners	70,300	10,000
Operations		
Overhead	53,781	61,641
Human resources	152,100	152,100
Virtual programming	8,000	7,500
	821,458	544,100
Expenses (Page 17)	919,809	606,814
Excess (deficiency) of revenue over expenses for the year before amortization	(98,351)	(62,714)
Amortization	(13,685)	(11,991)
Excess (deficiency) of revenue over expenses for the year	\$ (112,036)	\$ (74,705)

Manitoba 4-H Council Inc. Statement of Cash Flows

For the year ended August 31	2023	2022
Cash Flows from Operating Activities		
Excess (deficiency) of revenues over expenses for the year	\$ (112,036)	\$ (74,705)
Adjustment for		
Amortization of property, plant and equipment	13,685	11,991
	<u>(98,351)</u>	<u>(62,714)</u>
Changes in non-cash working capital balances		
Accounts receivable	(106,296)	3,166
Inventories	1,961	4,411
Prepaid expenses	10,340	(7,824)
Accounts payable and other liabilities	75,114	(44,568)
Deferred revenue	103,868	10,115
	<u>84,987</u>	<u>(34,700)</u>
	<u>(13,364)</u>	<u>(97,414)</u>
Cash Flows from Investing Activities		
Purchase of investments	(4,711)	(450,123)
Purchase of capital assets	(17,800)	(2,335)
Proceeds on sale of investments	185,000	130,000
	<u>162,489</u>	<u>(322,458)</u>
Increase (decrease) in cash during the year	149,125	(419,872)
Cash, beginning of year	<u>5,886</u>	<u>425,758</u>
Cash, end of year	\$ 155,011	\$ 5,886

Manitoba 4-H Council Inc.

Notes to Financial Statements

August 31, 2023

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, 2023

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, 2023

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 contributed office space rent free to assist the Entity in carrying out its activities during September 2022. 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, 2023

3. Investments

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

	<u>2023</u>	<u>2022</u>
Bank of Montreal GIC, bearing interest of 0.2%, matured June 2022	\$ -	\$ 40,000
Bank of Montreal GIC, interest to be determined at maturity, redeemed in year.	-	65,000
Bank of Montreal GIC, interest to be determined at maturity, maturing October 2025	65,000	65,000
Bank of Montreal GIC, interest to be determined at maturity, maturing October 2026	70,000	70,000
Bank of Montreal Money Market	154,833	230,123
	289,833	470,123
Less: Short term investments	154,833	270,123
Long-term investments	<u>\$ 135,000</u>	<u>\$ 200,000</u>

4. Inventories

	<u>2023</u>	<u>2022</u>
Promotional inventory	<u>\$ 13,012</u>	<u>\$ 14,973</u>

During the year the total inventory recognized as cost of goods sold was \$10,434 (2022 - \$10,219). \$1,083 in writedowns were recognized in the current year (2022 - \$858).

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2023

5. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Project equipment	\$ 57,853	\$ 23,825	\$ 45,099	\$ 13,530
Furniture and fixtures	37,158	33,284	33,933	30,947
Computer equipment	12,721	9,284	10,900	8,231
	\$ 107,732	\$ 66,393	\$ 89,932	\$ 52,708
Net book value		\$ 41,339		\$ 37,224

6. Accounts payable and accrued liabilities

	2023	2022
Trade accounts payable	\$ 113,990	\$ 46,721
Government remittances	12,167	9,398
Wages payable	25,672	20,597
	\$ 151,829	\$ 76,716

7. Deferred Revenue

	2023	2022
Opening balance	\$ 20,860	\$ 10,745
Revenue recognized in year	(20,860)	(10,745)
Revenue deferred in year	124,728	20,860
	\$ 124,728	\$ 20,860

Deferred revenue consists of donations and grants 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, 2023

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 2023 the amount transferred was \$17,485 (2022 - \$14,567). 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 2023 \$nil (2022 - \$5,000) was transferred in for future use. During 2023 \$20,407 (2022 - \$3,775) was transferred out of restricted net assets to cover specific program expenditures approved by the Board. These transactions resulted in a net decrease to the internally restricted funds of \$20,407 (2022 - \$1,225 increase).

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2023

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 \$348,568 (2022 - \$404,273) 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>2023</u>	<u>2022</u>
Opening Trust Balance	\$ 404,273	\$ 463,987
Contributions:		
Interest	2,233	286
Net change in investments	2,063	-
	4,296	286
Disbursements:		
Management fee	(10,000)	(10,000)
Bank charges	(1)	-
Grant Awards	(50,000)	(50,000)
	(60,001)	(60,000)
Net Change to Trust	(55,705)	(59,714)
Ending Trust Balance	\$ 348,568	\$ 404,273

11. Revenue

	<u>2023</u>	<u>2022</u>
Sponsorships and donations	\$ 160,473	\$ 97,396
Club and membership fees	134,313	85,929
Grants	415,227	364,591
Product sales	11,228	1,533
Investment income	5,970	(5,349)
Other non-recurring income	10,000	-
	\$ 737,211	\$ 544,100

Manitoba 4-H Council Inc. Notes to Financial Statements

August 31, 2023

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.

Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The short-term investments are exposed to market risk and the long-term investments are exposed to interest rate risk. The market risk and interest rate risk are moderate considering the fluctuations occurring in the market. This is an increase in risk from the prior year.

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.

Manitoba 4-H Council Inc. Schedule of Expenses

For the year ended August 31	2023	2022
Member and leadership opportunities		
Art challenge	\$ 509	\$ -
Communications	17,559	17,827
Japan homestay	41,821	-
Leader travel	12,588	7,195
Leadership development	15,517	4,389
Member development	48,561	8,155
Member & leader opps	7	-
Member travel	10,992	-
Rally	25,515	-
Scholarships	73,157	57,677
Volunteer appreciation	790	-
Board		
Board of director meetings	5,265	9,554
Council services		
Area council	49,465	36,627
Associates	5,300	6,454
Club awards (external)	8,754	8,454
Clubs	1,255	2,835
Community service recovery fund	60	-
Employment & social development	24,527	-
First aid training		150
800		
Highway clean-up project	3,996	3,980
Marketing and image	17,338	3,672
Member, leader and director services	15,041	25,918
Sponsors and partners	1,399	245
Operations		
Overhead	117,633	42,090
Human resources		
Payroll and employer human resource costs	422,610	370,942
	\$ 919,809	\$ 606,814