

Leadership Waterloo Region

Financial Statements

And Practitioners' Review Report thereon

Year ended June 30, 2020



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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

To the Board of Directors of Leadership Waterloo Region

We have reviewed the accompanying financial statements of Leadership Waterloo Region, which comprise the statement of financial position as at June 30, 2020, statement of operations, statement of changes in net assets, statement of cashflows, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Leadership Waterloo Region as at June 30, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

November 3, 2020

Leadership Waterloo Region

Statement of Financial Position

As at June 30, 2020, with comparative information 2019

	2020	2019
Assets		
Current		
Cash	\$ 10,598	\$ 9,670
Accounts Receivable	21,499	5,088
Prepaid Expenses	959	1,286
	<u>33,056</u>	<u>16,044</u>
Liabilities and Net Deficit		
Current		
Accounts payable and accrued liabilities – <i>Note 3</i>	\$ 26,274	\$ 48,696
Government remittances payable	4,533	4,544
Deferred contributions – <i>Note 4</i>	8,340	6,690
Loan payable – <i>Note 5</i>	9,800	5,000
Deferred – government grant CEBA – <i>Note 6</i>	4,837	-
	<u>53,784</u>	<u>64,930</u>
Long-Term Debt		
CEBA Loan – <i>Note 6</i>	<u>35,163</u>	<u>-</u>
Total Liabilities	<u>\$ 88,947</u>	<u>\$ 64,930</u>
Net Deficit		
Net deficit	<u>(55,891)</u>	<u>(48,886)</u>
	<u>\$ 33,056</u>	<u>\$ 16,044</u>

See accompanying notes to the financial statements

Leadership Waterloo Region

Statement of Changes in Net Deficit

Year ended June 30, 2020, with comparative information 2019

	2020	2019
Net Deficit – beginning of year	\$ (48,886)	\$ (10,884)
Deficiency of revenue over expenses	(7,005)	(38,002)
Net Deficit – end of year	\$ (55,891)	\$ (48,886)

See accompanying notes to the financial statements

Leadership Waterloo Region

Statement of Operations

Year ended June 30, 2020, with comparative information 2019

	2020	2019
Revenue		
Program fees	\$ 88,300	\$ 61,750
Fundraising and events	51,187	94,799
Grants	60,000	92,020
Donations and memberships	38,530	22,925
Wage subsidy	21,574	-
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	259,591	271,494
Expenses		
Salaries, benefits and employee development	175,090	210,375
Fundraising and events	24,695	45,516
Professional fees	18,497	20,311
Programming	15,346	11,376
Rent	16,229	166
Advertising and promotion	3,524	6,840
Office	4,665	6,116
Bank charges	2,845	4,066
Insurance	2,534	2,230
Memberships	496	1,176
Donations	500	-
Board expenses	1,589	649
Telephone	302	550
Volunteers	284	125
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	266,596	309,496
Deficiency of revenue over expenses	\$ (7,005)	\$ (38,002)

See accompanying notes to the financial statements

Leadership Waterloo Region

Statement of Cash Flows

Year ended June 30, 2020, with comparative information 2019

	2020	2019
Cash flows from operating activities		
Cash receipts from grantors, donors and fundraising	\$ 101,551	\$ 195,208
Cash receipts from program fees	88,300	61,750
Cash from wage subsidy	3,738	-
Cash paid to suppliers and employees	(237,461)	(265,089)
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Cash flows from operating activities	(43,872)	(8,131)
Cash flows from financing activities		
Cash receipts from loan payable and long-term debt	44,800	5,000
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Net increase (decrease) in cash	928	(3,131)
Cash – beginning of year	9,670	12,801
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Cash – end of year	\$ 10,598	\$ 9,670

See accompanying notes to the financial statements

Leadership Waterloo Region

Notes to Financial Statements

June 30, 2020

1 Purpose of the Organization

The objective of Leadership Waterloo Region (the “Organization”) is to help prepare participants for the challenges of life-long leadership by building skills and developing awareness for the opportunities for leadership in the Waterloo Region. The Organization was incorporated under the Canada Corporations Act as a non-profit organization and is a registered charity under the Income Tax Act (Canada).

2 Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Handbook Part III- Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Under this method of accounting, restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program fees are recognized in the period the program operates. Deferred program fees represent fees received prior to commencement of the program for which they relate.

Fundraising and events are recognized when received in the period the fundraising or event occurs.

Unrestricted grants are recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Grants with a restricted purpose are recognized in the period in which the related expenses are incurred.

Donations and memberships are recognized when received.

Other revenue is recognized in the period earned.

Capital Assets and Amortization

Expenditures of a capital nature are charged to the statement of operations in the year they are incurred. Capital expenditures include computer equipment and software and furniture and fixtures. During the year, the Organization incurred no expenditures of a capital nature (2019 - \$nil).

Leadership Waterloo Region

Notes to Financial Statements

June 30, 2020

2 Summary of Significant Accounting Policies (Continued)

Going Concern

These financial statements have been prepared on a going-concern basis that contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Organization be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Organization's ability to continue as a going concern is dependent upon the community support received through grants, donations and fundraising receipts.

Contributed Services

Volunteers contribute a significant amount of time each year to assist the Organization in carrying out its mandate. Because of the difficulty of determining their fair value, these contributed services are not recognized in these financial statements.

Use of Estimates

The preparation of these financial statements, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. All other financial instruments are reported at amortized cost and tested for impairment at each reporting date.

Donations – in - Kind

Donated materials contributed to the Organization are recorded at fair market value when provided.

Leadership Waterloo Region

Notes to Financial Statements

June 30, 2020

2 Summary of Significant Accounting Policies (Continued)

New accounting standards

In March 2018, the Accounting Standards Board issued “Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of three new Handbook sections in the accounting standards for not-for-profit organizations - Part III of the Handbook as follows:

- i) Section 4433, *Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook - Canadian accounting standards for private enterprises. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, the section requires organizations, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.
- ii) Section 4434, *Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset’s fair value or replacement cost.
- iii) Section 4441, *Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

The amendments are effective for financial statement for the year ended June 30, 2020. The implementation of these changes had no impact on the financial statements

Leadership Waterloo Region

Notes to Financial Statements

June 30, 2020

3 Deferred Contributions

Deferred contributions consist of grants and fundraising receipts received for a specific purpose which are unspent at year end. The changes in deferred contributions during the year are as follows:

	2020	2019
Balance, beginning of year	\$ 6,690	\$ 21,471
Contributions received during the year	8,340	6,690
Amounts recognized as revenue	(6,690)	(21,471)
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Balance, end of year	\$ 8,340	\$ 6,690

4 Loan Payable

Loan payable to the Chief Executive Officer is non-interest bearing, unsecured and has no set repayment terms.

5 Long-Term Debt

During the year, the Organization received an advance of \$40,000 pursuant to the Canada Emergency Business Account (“CEBA”) Loan Program.

	2020	2019
The CEBA Loan Program provided a \$40,000 advance. If the Organization repays the balance of the advance on or before December 31, 2022, this will result in forgiveness of 25 percent of the amount repaid (up to \$10,000 if the maximum is received). The advance is interest free until December 31, 2022 with no set principal repayments. Unpaid balances as of December 31, 2022 will be converted into a three-year term loan at 5% interest; with monthly interest payments only. Principal and any accrued interest is due by December 31, 2025.	\$ 40,000	\$ -
Net of government grant benefit of the below market rate of interest on the loan	(4,837)	-
Total	\$ 35,163	\$ -

Interest of \$nil relating to long-term debt has been included in interest expense.

Leadership Waterloo Region

Notes to Financial Statements

June 30, 2020

6 Impact of Covid-19

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

(a) Current year transactions:

During the year, the Organization has experienced the following in relation to the pandemic:

- The Organization applied and collected the 10% temporary wage subsidy for employers of \$3,738 which is included in wage subsidy.
- The Organization applied and collected the Canada Emergency Wage Subsidy (“CEWS”) for employers of \$17,836 which is included in wage subsidy.
- New financing was obtained through the Canada Emergency Business Account Loan Program (CEBA) in the amount of \$40,000.
- Due to the work from home mandate, all board meetings and core program meetings are virtual using Zoom.
- In person events were cancelled and replaced by virtual online events.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the practitioners’ review report which provide additional evidence relating to conditions that existed as at year end.

(b) Subsequent events related to COVID-19:

The ultimate duration and magnitude of the COVID-19 pandemic’s impact on the Organization’s operations and financial position is not known at this time. There remains uncertainty for the upcoming year regarding the aforementioned items. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Organization is not practicable at this time.

Leadership Waterloo Region

Notes to Financial Statements

June 30, 2020

7 Financial Risks and Concentration of Credit Risk

Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or other price risks arising from these financial instruments.

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There is no allowance recorded at June 30, 2020 (2019-\$nil).

There have been no significant changes to the above noted risks during the fiscal year.

8 Comparative Information

Certain comparative information has been reclassified to conform to the current year's presentation.