

FINANCIAL STATEMENTS

ENACTUS CANADA

June 30, 2020

Enactus Canada
CONTENTS

June 30, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of financial position	4
Statement of changes in net assets	5
Statement of operations	6
Statement of cash flows	7
Notes to financial statements	8

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INDEPENDENT AUDITOR'S REPORT

To the members of
Enactus Canada:

Opinion

We have audited the accompanying financial statements of **Enactus Canada** (the "Organization"), which comprise the statement of financial position as at June 30, 2020 and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2020 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 Opinion

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 Organization 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 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibility for the Audit of 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 it 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 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 judgement 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 audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization'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 Organization to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT (continued)

- 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.

Toronto, Ontario
September 28, 2020

Campbell Lawless LLP

Chartered Professional Accountants
Licensed Public Accountants

Enactus Canada

STATEMENT OF FINANCIAL POSITION

June 30	2020 \$	2019 \$
ASSETS		
Current		
Cash	1,146,504	741,052
Short-term deposits	1,007,758	505,111
Accounts receivable [note 3]	248,514	144,244
Prepaid expenses	<u>51,032</u>	<u>104,946</u>
	2,453,808	1,495,353
Long-term deposits	16,951	13,055
Prepaid expenses	91,788	
Capital assets [note 4]	5,826	9,505
Long-term deposit restricted for endowment purposes [note 6]	<u>100,000</u>	<u>100,000</u>
	2,668,373	1,617,913
LIABILITIES		
Current		
Accounts payable and accrued liabilities	269,358	195,885
Deferred revenue [note 5]	<u>1,112,055</u>	<u>487,126</u>
	<u>1,381,413</u>	<u>683,011</u>
NET ASSETS		
Restricted [note 6]	100,000	100,000
Unrestricted	<u>1,186,960</u>	<u>834,902</u>
	1,286,960	934,902
	2,668,373	1,617,913

see accompanying notes

On behalf of the Board:

Director

Director

Enactus Canada

STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30	2020 Restricted \$	2020 Unrestricted \$	2020 Total \$	2019 Total \$
Balance , beginning of year	100,000	834,902	934,902	738,919
Excess of revenue over expenses for the year		352,058	352,058	95,983
Endowment contributions [note 6]				100,000
Balance , end of year	100,000	1,186,960	1,286,960	934,902

see accompanying notes

Enactus Canada
STATEMENT OF OPERATIONS

Year ended June 30	2020 Restricted \$	2020 Unrestricted \$	2020 Total \$	2019 Total \$
Revenue				
Corporate		1,796,149	1,796,149	2,082,020
Foundations		467,926	467,926	242,741
Individuals		110,808	110,808	90,455
Administration fees and other	2,500	52,352	54,852	79,227
Government	<u> </u>	<u>2,386</u>	<u>2,386</u>	<u>49,955</u>
	<u>2,500</u>	<u>2,429,621</u>	<u>2,432,121</u>	<u>2,544,398</u>
Expenses				
Program	2,500	1,485,036	1,487,536	1,890,933
Operations and administration		370,745	370,745	364,469
Development		236,920	236,920	193,013
Government assistance [note 7]	<u> </u>	<u>(15,138)</u>	<u>(15,138)</u>	<u> </u>
	<u>2,500</u>	<u>2,077,563</u>	<u>2,080,063</u>	<u>2,448,415</u>
Excess of revenue over expenses				
for the year	NIL	352,058	352,058	95,983

see accompanying notes

Enactus Canada

STATEMENT OF CASH FLOWS

Year ended June 30	2020 \$	2019 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	352,058	95,983
Add item not involving cash - Amortization	<u>5,964</u>	<u>7,596</u>
	358,022	103,579
Changes in non-cash working capital items -		
(Increase) decrease in accounts receivable	(104,270)	41,379
(Increase) decrease in prepaid expenses	(37,874)	(61,075)
Increase (decrease) in accounts payable and accrued liabilities	73,472	(55,921)
Increase (decrease) in deferred revenue	<u>624,929</u>	<u>264,426</u>
	<u>914,279</u>	<u>292,388</u>
FINANCING ACTIVITIES		
Proceeds from endowment contributions	<u> </u>	<u>100,000</u>
INVESTING ACTIVITIES		
Purchase of term deposits	(506,543)	(200,497)
Purchase of capital assets	(2,284)	(11,739)
Purchase of term deposit restricted for endowment purposes	<u> </u>	<u>(100,000)</u>
	<u>(508,827)</u>	<u>(312,236)</u>
Net change in cash during the year	405,452	80,152
Cash , beginning of year	741,052	660,900
Cash , end of year	<u>1,146,504</u>	<u>741,052</u>

see accompanying notes

Enactus Canada

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. PURPOSE OF ORGANIZATION

Enactus Canada (the "Organization") works to shape generations of entrepreneurial leaders who are passionate about advancing the economic, social and environmental health of Canada.

The Organization was incorporated on April 21, 1999 under the Canada Corporations Act as a corporation without share capital. Effective January 24, 2014, the Organization is continued under the Canada Not-for-profit Corporations Act.

The Organization is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income tax.

These financial statements do not include the activities of any of the affiliated, but independent, university and college campus-based organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. 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. Restricted contributions are recognized in the fiscal year in which the related expenses are incurred. Endowment contributions are recognized as direct increases in net assets in the year.

All other revenue is recognized when delivery has occurred or services have been rendered and measurement and collection are reasonably assured.

Cash

Cash consists primarily of cash on hand and balances within bank accounts held with financial institutions.

Capital assets and amortization

Purchased capital assets are recorded at cost. Contributed capital assets are recorded only if the fair value can be reasonably estimated at the date of contribution. The Organization amortizes the cost of capital assets over their estimated useful lives as follows:

Computer equipment	Straight-line over three years
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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed materials and services

Various companies provide the Organization with in-kind materials and professional services. In addition, volunteers contribute their time to assist the Organization 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.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets and liabilities measured at amortized cost include cash, term deposits, accounts receivable and accounts payable and accrued liabilities.

The Organization has no financial assets or liabilities measured at fair value.

Impairment

Financial assets measured at amortized cost are assessed for indicators of impairment. When there is indication of an impairment, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized in the statement of operations. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

Use of estimates

The preparation of the financial statements in conformity 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. The significant items subject to such management estimates and assumptions are the estimated useful lives of the capital assets. Actual results could differ from the estimates.

3. ACCOUNTS RECEIVABLE

The Organization's accounts receivable include outstanding pledges in the amount of \$109,375 (2019 - \$43,500), all of which have been reported as current or deferred revenue.

Enactus Canada

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

4. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value	
	\$	\$	2020 \$	2019 \$
Computer equipment	12,850	7,024	5,826	9,505

Operations and administration expenses include amortization expense of \$5,964 (2019 - \$7,596).

5. DEFERRED REVENUE

Deferred revenue represents funding received or pledged in the current year that relates to future years.

	Restricted for endowment purposes	Unrestricted for operating purposes	Total 2020	Total 2019
	\$	\$	\$	\$
Balance , beginning of year	1,667	485,459	487,126	222,700
Amounts recognized as revenue	(2,500)	(323,500)	(326,000)	(66,785)
Amounts received or pledged	2,500	948,429	950,929	331,211
Balance , end of year	1,667	1,110,388	1,112,055	487,126

6. RESTRICTIONS ON NET ASSETS

The net assets restricted for endowment purposes include an amount of \$100,000 that is subject to externally imposed restrictions stipulating that the principal be maintained permanently. Investment income earned on the principal is externally restricted for bursary purposes of up to \$2,500 annually. Investment income in excess of \$2,500 is unrestricted for operating purposes.

7. GOVERNMENT ASSISTANCE

During the year, the Organization received \$15,138 of Temporary Wage Subsidy. The Organization is in compliance with the program requirements and no repayment is required.

Enactus Canada

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

8. COMMITMENTS

The Organization is committed under an operating lease for rental of premises to July 30, 2022. Future minimum annual commitments are as follows:

	\$
2021	70,903
2022	72,878
	<hr/> 143,781 <hr/>

9. REVOLVING DEMAND FACILITY

The Organization has a revolving demand facility to a maximum of \$100,000. The revolving demand facility bears interest at a Canadian credit union's prime lending rate plus 1.5%, is due on demand and is secured by a general security agreement covering all assets of the Organization. As at June 30, 2020, the entire revolving demand facility remained available for use.

10. FINANCIAL INSTRUMENT RISK EXPOSURE

The Organization is exposed to credit risk, liquidity risk and market risk through its 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. The Organization's financial assets that are exposed to credit risk consist primarily of cash, term deposits and accounts receivable. Cash and term deposits consist of deposits with major Canadian chartered banks and credit unions. Credit risk associated with accounts receivable is limited due to the credit quality and diversity of the parties extended credit. The Organization does not anticipate non-performance by these counterparties.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. The Organization meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing activities and holding assets that can be readily converted into cash.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

10. FINANCIAL INSTRUMENT RISK EXPOSURE (continued)

Market risk

The Organization is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, other price risk and interest rate risk. The Organization is exposed to interest rate risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed-rate financial instruments, which consist solely of term deposits. Fixed-rate instruments subject the Organization to a fair value risk.

11. SUBSEQUENT EVENT

The Organization is continuously monitoring the recent outbreak of the novel coronavirus ("COVID-19") and its potential impact on the Organization. While the extent and duration of the impact of COVID-19 on local economies is uncertain at this point, the outbreak has the potential to affect the Organization's operations. Management is unable to estimate its potential impact as at the date of these financial statements.