

Blue Sea Philanthropy Inc.
Non-consolidated Financial
Statements
For the Year Ended December 31, 2018

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Independent Auditor's Report

To the Board of Directors of
Blue Sea Philanthropy Inc.

Qualified Opinion

We have audited the non-consolidated financial statements of Blue Sea Philanthropy Inc. (the Entity), which comprise the non-consolidated statement of financial position as at December 31, 2018, the non-consolidated statements of operations and net assets and cash flows for the year then ended, and notes to the non-consolidated 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 non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Entity as at December 31, 2018, and its non-consolidated financial performance and 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 donations and fundraising, 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 unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2017 was modified accordingly because of the possible limitation in scope.

The notes to the non-consolidated financial statements do not include the financial results of the controlled not-for-profit Blue Sea USA as we were not able to obtain satisfactory audit evidence for the years ended December 31, 2018 and 2017. Our audit opinion on the non-consolidated financial statements for the year ended December 31, 2017 was modified accordingly because of the 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 Non-consolidated 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 non-consolidated 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 Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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 Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Entity'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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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, Licensed Public Accountants

Waterloo, Ontario
June 11, 2019

Blue Sea Philanthropy Inc.
Non-consolidated Statement of Financial Position

December 31	2018	2017
Assets		
Current		
Cash (Note 2)	\$ 191,814	\$ 176,792
Accounts receivable	28,125	27,797
HST receivable	27,578	31,663
Prepaid expenses	47,489	29,943
	295,006	266,195
Due from related party (Note 3)	9,852	6,281
Tangible capital assets (Note 4)	24,816	29,389
Trademarks (Note 5)	2	2
	\$ 329,676	\$ 301,867

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 134,752	\$ 139,160
Deferred contributions (Note 6)	183,468	147,639
	318,220	286,799
Net Assets		
Internally restricted	24,816	29,389
Unrestricted	(13,360)	(14,321)
	11,456	15,068
	\$ 329,676	\$ 301,867

On behalf of the Board:

_____ Director

Blue Sea Philanthropy Inc.
Non-consolidated Statement of Operations and Net Assets

For the year ended December 31	2018	2017
Revenue	\$ 7,381,945	\$ 6,886,034
Direct Costs		
Grant disbursements	5,363,074	5,024,474
Program costs (Schedule)	1,744,672	1,509,019
	<u>7,107,746</u>	<u>6,533,493</u>
	274,199	352,541
Expenses		
Amortization	11,276	9,194
Foreign exchange gain (Note 3)	(3,571)	(10,182)
Insurance	2,606	1,045
Office supplies and miscellaneous	46,307	49,619
Professional fees	7,280	55,002
Rent	49,250	35,596
Staff training and development	22,212	8,342
Staffing	106,895	150,420
Telephone and communications	14,527	22,127
Travelling and networking	21,029	20,419
Writedown of amount due to related party (Note 3)	-	56,586
	<u>277,811</u>	<u>398,168</u>
Deficiency of revenues over expenses	(3,612)	(45,627)
Net assets, beginning of the year	<u>15,068</u>	<u>60,695</u>
Net assets, end of the year	<u>\$ 11,456</u>	<u>\$ 15,068</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

Blue Sea Philanthropy Inc.
Non-consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (3,612)	\$ (45,627)
Items not affecting cash:		
Amortization of capital assets	11,276	9,194
Writedown of amount due from related party	-	56,586
Unrealized foreign exchange on amount due from related party	(3,571)	(10,182)
	4,093	9,971
Changes in non-cash working capital:		
Accounts receivable	(328)	(20,275)
HST receivable	4,085	(8,337)
Prepaid expenses	(17,546)	15,403
Accounts payable and accrued liabilities	(4,409)	(209,237)
Deferred contributions	35,829	81,639
	21,724	(130,836)
Cash flows from investing activities		
Purchase of tangible capital assets	(6,702)	(8,475)
Cash flows from financing activities		
Advances to related parties'	-	(172)
Net increase (decrease) in cash	15,022	(139,483)
Cash, beginning of the year	176,792	316,275
Cash, end of the year	\$ 191,814	\$ 176,792

The accompanying notes are an integral part of these non-consolidated financial statements.

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

Nature of Operations The organization is incorporated without share capital under the laws of Canada and is engaged in the operation of running fundraising events for registered charities

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue Recognition The organization follows the deferral method of accounting for contributions.

All contributions received for current year events are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received for a future event are classified as deferred contributions and are recognized into revenue when the event takes place.

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization.
Amortization based on the estimated useful life of the asset is calculated as follows:

	Method	Rate
Leasehold improvements	Straight-line	lease term
Office furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	55%

When a tangible capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Intangible Assets Purchased intangibles are initially recorded at cost. Contributed intangible assets are recorded at fair value at the date of contribution.

Intangibles with an indefinite useful life are not amortized.

Contributed Materials and Services Volunteers contribute many hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are not recognized in the financial statements unless they would normally be purchased by the organization and their fair market value can be ascertained.

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation	<p>Foreign currency accounts are translated to Canadian dollars as follows:</p> <p>At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian Dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in excess of revenue over expenses for the year.</p>
Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition. Subsequently, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when indicators of impairment exist. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.</p>
Income Taxes	<p>The organization is a non-profit organization and, as such, is not subject to income taxes on its earnings.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with ASNPO 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</p>
Controlled Entities	<p>Controlled not-for-profit organizations are not consolidated in the organization's financial statements.</p>
Harmonized Sales Tax	<p>The organization received the public service bodies' rebate of 50% of the federal portion of HST paid and 82% of the provincial portion of HST paid in Ontario.</p>

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2018

2. Cash

The organization's bank accounts are held at one chartered bank. The bank accounts earn interest at a nominal rate.

The cash balances includes \$33,081 denominated in US dollars (2017 - \$33,007), converted to \$44,857 Canadian (2017 - \$41,407).

3. Due from Related Party

The amount due from related party balance represents the balance owed from Blue Sea USA, a controlled organization. The organization appoints the majority of Blue Sea USA's Board of Directors and, according to the bylaws, a decision cannot be passed without Blue Sea Philanthropy's Board of Director approval. Blue Sea USA is incorporated in the United States as a not-for-profit entity. The organization is engaged in the operation of running fundraising events for registered charities.

At year end the balance was written down to the cash balance on hand. Cash balance on hand at year end was \$7,232 USD (2017 \$5,007) converted to \$9,852 Canadian (2017 - \$6,281).

	2018	2017
Opening	\$ 6,281	\$ 52,513
Advances	-	172
Unrealized foreign exchange	3,571	10,182
Allowance for uncollectible balance	-	(56,586)
	<u>\$ 9,852</u>	<u>\$ 6,281</u>

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2018

4. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 16,847	\$ 12,636	\$ 16,847	\$ 9,828
Office furniture and equipment	28,757	15,777	28,757	12,531
Computer equipment	15,178	7,553	8,475	2,331
	60,782	35,966	54,079	24,690
		\$ 24,816		\$ 29,389

5. Trademarks

The registered trademarks represent the rights to the names Coldest Night of the Year and Ride for Refuge and any goods and services associated with these events.

6. Deferred Contributions

	2018		2017	
Balance, beginning of the year	\$ 147,639		\$ 66,000	
Less: amounts recognized as revenue in the year		(147,639)		(66,000)
Add: amounts received related to the next year		183,468		147,639
Balance, end of year		\$ 183,468		\$ 147,639

7. Commitments

The organization has entered into two operating lease agreements for its premises, expiring March 2020 and May 2021. The future minimum annual lease payments are as follows:

2019	\$ 64,893
2020	35,121
2021	12,615
	\$ 112,629

Blue Sea Philanthropy Inc.
Notes to Non-consolidated Financial Statements

December 31, 2018

8. 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. Financial instruments which potentially subject the organization to concentrations of credit risk consist of cash and accounts receivable. The organization has deposited its cash with a reputable financial institution, from which management believes the risk of loss to be remote. The credit risk on accounts receivable arises from donors and sponsors.

Liquidity risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

Currency Risk

The organization undertakes revenue and purchase transactions in the normal course of business in foreign currencies and, therefore, is subject to gains and losses due to fluctuations in foreign currency exchange rates. Amounts denominated in foreign currencies have been disclosed in the financial statements. The organization considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks.

The organization's exposure to the above risks is unchanged from the prior year.

9. Comparative Amounts

The comparative amounts have been reclassified to conform to the current year presentation.

Blue Sea Philanthropy Inc.
Non-consolidated Schedule of Program Costs

For the year ended December 31	2018	2017
Accommodation	\$ 8,543	\$ 8,164
Consulting fees	16,371	10,914
Courier and postage	58,041	68,620
Event clothing	228,089	202,061
Event portal	108,575	95,536
Facility and other rentals	15,220	14,028
Flights	12,294	4,810
Gas and mileage	10,743	9,133
Insurance	41,814	37,426
Meals and sundry	28,482	20,900
Merchant and bank charges	133,852	120,053
Partner development	15,468	19,246
Printed materials	22,088	30,284
Professional fees	23,964	-
Salaries and wages	917,037	802,836
Signage	37,161	26,269
Software and licenses	36,490	13,579
Staff training and development	221	175
Supplies and other	14,934	13,200
Telephone, office and other	3,748	3,112
Vehicle rental	11,537	8,673
	<u>\$ 1,744,672</u>	<u>\$ 1,509,019</u>
