

**EDUCATIONAL PROGRAM
INNOVATIONS CHARITY SOCIETY**
Financial Statements
June 30, 2020

Independent Auditor's Report

To the Directors of Educational Program Innovations Charity Society:

Qualified Opinion

We have audited the financial statements of Educational Program Innovations Charity Society (the "Society"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, change 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 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 Society 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 Qualified Opinion

In common with many not-for-profit organizations, the Society derives part of its revenues from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues was limited to the amount recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to assets, revenues and excess of revenues over expenses.

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 Society 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 opinion.

Other Matter

The financial statements of the Society for the year ended June 30, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed a qualified opinion on those statements on October 3, 2019 for the reasons described in the Basis for Qualified opinion paragraph.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society to cease to continue as a going concern.

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.

Sydney, Nova Scotia

October 6, 2020

MNP LLP

Chartered Professional Accountants

EDUCATIONAL PROGRAM INNOVATIONS CHARITY SOCIETY

Statement of Financial Position

June 30, 2020, with comparative figures for 2019

| | 2020 | 2019 |
|------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 34,002 | \$ 41,477 |
| Short-term investments (note 2) | 65,228 | 66,986 |
| Funding receivable | 8,750 | - |
| Harmonized sales taxes recoverable | 3,517 | 2,447 |
| Prepaid expenses | 852 | 852 |
| | <u>\$ 112,349</u> | <u>\$ 111,762</u> |

LIABILITIES

| | | |
|--|---------------|---------------|
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 10,134 | \$ 5,306 |
| Deferred revenue | 17,725 | 35,250 |
| | <u>27,859</u> | <u>40,556</u> |

NET ASSETS

| | | |
|--------------|-------------------|-------------------|
| Unrestricted | 84,490 | 71,206 |
| | <u>\$ 112,349</u> | <u>\$ 111,762</u> |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

EDUCATIONAL PROGRAM INNOVATIONS CHARITY SOCIETY

Statement of Operations and Change in Net Assets

Year ended June 30, 2020, with comparative figures for 2019

| | 2020 | 2019 |
|---|------------------|------------------|
| REVENUES | | |
| Province of Nova Scotia | \$ 61,475 | \$ 113,684 |
| Law Foundation of Nova Scotia | 45,710 | 44,280 |
| United Way of Cape Breton | 35,000 | 37,288 |
| Other contributions | 23,000 | 28,540 |
| Donations | 14,607 | 12,071 |
| Investment income | 3,748 | 1,716 |
| Fundraising | 1,057 | 1,744 |
| | <u>184,597</u> | <u>239,323</u> |
| EXPENSES | | |
| Wages and benefits | 124,951 | 139,540 |
| Transportation | 4,774 | 11,725 |
| Nutrition | 4,437 | 6,394 |
| Program development | 4,228 | 10,888 |
| Professional fees | 4,100 | 4,100 |
| Workshop and training | 3,395 | 39,523 |
| Scholarships | 3,000 | 3,000 |
| Office | 2,448 | 1,478 |
| Insurance | 1,850 | 2,009 |
| Unrecoverable HST | 1,069 | 1,708 |
| Donations | 1,000 | 2,100 |
| Directors' travel | 900 | 1,800 |
| Telephone | 743 | 942 |
| Materials | 657 | 3,352 |
| Small equipment | 215 | 606 |
| Bank charges | 197 | 278 |
| Dues and fees | 31 | 31 |
| | <u>157,995</u> | <u>229,474</u> |
| Excess of revenues over expenses before the undernoted | 26,602 | 9,849 |
| Unrealized loss on change in fair market value of investments | (13,318) | (654) |
| EXCESS OF REVENUES OVER EXPENSES | <u>13,284</u> | <u>9,195</u> |
| UNRESTRICTED NET ASSETS, BEGINNING OF YEAR | 71,206 | 62,011 |
| UNRESTRICTED NET ASSETS, END OF YEAR | <u>\$ 84,490</u> | <u>\$ 71,206</u> |

See accompanying notes to financial statements.

EDUCATIONAL PROGRAM INNOVATIONS CHARITY SOCIETY

Statement of Cash Flows

Year ended June 30, 2020, with comparative figures for 2019

| | 2020 | 2019 |
|---|-----------|-----------|
| CASH FLOWS FROM OPERATIONS | | |
| Excess of revenues over expenses | \$ 13,284 | \$ 9,195 |
| Item not involving cash | | |
| Unrealized loss from change in fair market value of investments | 13,318 | 654 |
| Change in non-cash operating working capital | | |
| Decrease (increase) in funding receivable | (8,750) | 9,513 |
| Increase in harmonized sales taxes recoverable | (1,070) | (1,708) |
| Increase (decrease) in accounts payable and accrued liabilities | 4,828 | (707) |
| Decrease in deferred revenue | (17,525) | (33,969) |
| | 4,085 | (17,022) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in short-term investments, at cost | (11,560) | (9,137) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (7,475) | (26,159) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 41,477 | 67,636 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 34,002 | \$ 41,477 |

See accompanying notes to financial statements.

EDUCATIONAL PROGRAM INNOVATIONS CHARITY SOCIETY

Notes to Financial Statements

Year ended June 30, 2020

Educational Program Innovations Charity Society (the "Society") is incorporated under the Nova Scotia Companies Act as a Company limited. The principal activity is to provide and promote educational advancement opportunities for the disadvantaged through new educational initiatives and the enhancements of currently successful educational programs. The Society is a registered charity and is exempt from income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash in bank accounts.

(c) Investments

Investments are carried at fair market value.

(d) Capital assets

Capital assets over \$2,000 are capitalized in the period of acquisition and amounts under \$2,000 are expensed in the period of acquisition.

(e) Revenue recognition

The Society 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 as revenue in the period in which the related expenses are recognized.

Investment income is recognized as revenue when earned.

EDUCATIONAL PROGRAM INNOVATIONS CHARITY SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost, except short-term investments and marketable securities. These are subsequently measured at fair market value with any changes recorded on the statement of operations.

Financial assets measured at amortized cost includes cash and funding receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. 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 income.

Unless otherwise noted, the Society is not exposed to significant credit, market or liquidity risk arising from these instruments.

(g) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such management estimates and assumptions includes the valuation of funding receivable. Actual results could differ from those estimates.

EDUCATIONAL PROGRAM INNOVATIONS CHARITY SOCIETY

Notes to Financial Statements (continued)

Year ended June 30, 2020

2. SHORT-TERM INVESTMENTS

| | 2020 | | 2019 | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Cost | Fair market value | Cost | Fair market value |
| Equity securities | \$ 159,532 | \$ 65,028 | \$ 145,105 | \$ 63,919 |
| Cash | 200 | 200 | 3,067 | 3,067 |
| | <u>\$ 159,732</u> | <u>\$ 65,228</u> | <u>\$ 148,172</u> | <u>\$ 66,986</u> |

3. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and includes the following significant risk at June 30, 2020:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Future cash flows of its marketable securities and investments are dependent on market interest rates. The value of the security itself could also fluctuate, resulting in gains or losses recognized in the statement of operations.

4. RELATED PARTY TRANSACTIONS

During the year, \$7,812 (2019 - \$7,240) in donations were made by board members to the Society.

5. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus, including the announcement of a state of emergency in the Province of Nova Scotia on March 22, 2020. As of the date of issuing the financial statements, the ongoing duration and impact of COVID-19 is unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Society in future fiscal years.