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# HOCKEY EDUCATION REACHING OUT SOCIETY

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## Financial Statements

August 31, 2021

## INDEPENDENT AUDITOR'S REPORT

To the Members of:

Hockey Education Reaching Out Society

Report on the Audit of the Financial Statements

### Qualified Opinion

We have audited the financial statements of the Hockey Education Reaching Out Society (the Society), which comprise the statement of financial position as at August 31, 2021, and the statement of operations and changes in net assets and statement of 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 paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at August 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Not for Profit Organizations (ASNPO).

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities, 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 Society. Therefore, we are not able to determine whether any adjustments might be necessary to fundraising revenues, excess of revenues over expenses, and cash flows from operations for the year ended August 31, 2021 and 2020, current assets as at August 31, 2021 and 2020, and net assets as at August 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended August 31, 2021 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 Company 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 audit opinion.

### 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 ASNPO's, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 the 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 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Burnaby, BC  
November 10, 2021

*Kanester Johal LLP*  
**KANESTER JOHAL LLP**  
Chartered Professional Accountants

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Statement of Financial Position

<u>As At August 31,</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 1,001,204	\$ 736,806
GST receivable	3,412	8,492
	<hr/>	<hr/>
	1,004,616	745,298
Capital Assets (Note 3)	34,807	49,303
	<hr/>	<hr/>
	\$ 1,039,423	\$ 794,601
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Current		
Accounts payable and accrued liabilities	\$ 17,208	\$ 8,694
Payroll liabilities	4,090	4,213
	<hr/>	<hr/>
	21,298	12,907
CEBA Loan (Note 5)	40,000	40,000
	<hr/>	<hr/>
Net Assets	978,125	741,694
	<hr/>	<hr/>
	\$ 1,039,423	\$ 794,601
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COVID-19 (Note 7)

Approved On Behalf Of The Board:

Director: \_\_\_\_\_

Director: \_\_\_\_\_

*(See accompanying notes to the financial statements)*

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Statement of Operations and Changes in Net Assets

For The Year Ended

August 31,

August 31,  
2021

August 31,  
2020

	August 31, 2021	August 31, 2020
<b>Revenues</b>		
Unrestricted donations	\$ 375,282	\$ 482,838
Restricted donations	162,615	167,523
Sponsorships	-	50,000
Gala dinner	-	117,468
Donations in-kind	30,900	2,000
Government Assistance	66,914	38,330
	<u>635,711</u>	<u>858,159</u>
<b>Expenditures</b>		
<b>Charitable Activities</b>		
Marketing	30,346	43,301
Amortization - hockey equipment	12,761	12,596
Equipment repairs and maintenance	12,263	2,071
Gala dinner	-	47,465
Ice rink rental	16,931	66,102
Insurance	8,494	9,656
Meals and promotion	929	3,798
Meals - volunteers	1,814	5,753
Programming	35,172	32,300
Program supplies	34,229	31,613
Salaries and benefits	169,962	172,569
Scholarships	24,512	18,657
Supplies	9,986	20,942
Travel - programs, conferences and tournaments	23,455	102,500
	<u>380,854</u>	<u>569,323</u>
<b>Management and Administration</b>		
Amortization - computer equipment	1,257	650
Bank charges	2,477	1,506
Insurance	2,831	3,219
Meals and promotion	929	3,798
Office supplies	1,053	653
Professional fees	25,901	13,838
Storage	-	2,157
	<u>34,448</u>	<u>23,664</u>
Total Expenditures	415,302	592,987
<b>Other Items</b>		
Loss on write off of capital assets	(7,616)	-
Other income	21,718	21,641
Gain (Loss) on disposal of investments	1,920	(1,138)
	<u>236,431</u>	<u>285,675</u>
<b>Excess of Revenues Over Expenditures</b>	236,431	285,675
<b>Net Assets, beginning of year</b>	<u>741,694</u>	<u>456,019</u>
<b>Net Assets, end of year</b>	<u>\$ 978,125</u>	<u>\$ 741,694</u>

(See accompanying notes to the financial statements)



# HOCKEY EDUCATION REACHING OUT SOCIETY

## Statement Of Cash Flows For The Year Ended August 31,

	August 31, 2021	August 31, 2020
<b>Cash flows from operating activities</b>		
Excess of Revenues over Expenditures	\$ 236,431	\$ 285,675
Items not affecting cash		
Amortization	14,018	13,246
Donation in-kind	(30,900)	(2,000)
In-kind expenses	30,900	2,000
Write-off of capital asset	7,616	-
	258,065	298,921
GST receivable	5,080	(918)
Prepaid expenses	-	10,150
Accounts payable and accrued liabilities	8,515	(15,400)
Payroll liabilities	(123)	220
	271,537	292,973
<b>Cash flows from financing activities</b>		
Bank loans payable	-	40,000
<b>Cash flows from investing activities</b>		
Additions to capital assets	(7,139)	(38,204)
<b>Increase in cash and cash equivalents</b>	264,398	294,769
<b>Cash and cash equivalents, beginning of year</b>	736,806	442,037
<b>Cash and cash equivalents, end of year</b>	\$ 1,001,204	\$ 736,806
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 1,263	\$ 39,113
Cash equivalents	999,941	697,693
	\$ 1,001,204	\$ 736,806

*(See accompanying notes to the financial statements)*

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements

August 31, 2021

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### 1. Purpose and Nature of Operations

Hockey Education Reaching Out Society ("the Society") is committed to empowering children of diverse ethnicity from economically challenged neighbourhoods in Vancouver, Surrey, Sunshine Coast, Calgary, Edmonton, Winnipeg, Toronto, Ottawa and Montreal through ice hockey and related activities.

The Society's premise is to use ice hockey as a catalyst to attract youth to a program offering support for education, self esteem building and life skills training.

The Society is a not-for-profit organization and a registered charity incorporated under the Canada Corporations Act, Part II, as such the Society is exempt from income taxes provided certain requirements under the Income Tax Act (Canada) are met. In the opinion of management, these requirements have been met.

### 2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not for Profit Organizations (ASNPO) applied within the framework of the accounting policies summarized below:

#### Cash and cash equivalents

Cash and cash equivalents include cash and short-term notes with terms to maturity of 90 days or less at date of acquisition.

#### Capital Assets

Capital assets are recorded at cost except for donated assets, which are recorded at fair value at the date of acquisition. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Society's ability to provide service, its carrying amount is written down to its residual value. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Computers	- 40% declining balance
Hockey equipment	- 30% declining balance

#### Impairment of Capital Assets

The carrying value of capital assets is periodically reviewed for impairment. A capital asset is considered impaired whenever events or changes in circumstances indicate that the capital asset no longer contributes to the Society's ability to provide services, or that the value of the future economic benefits or long-term service potential of the capital asset is less than its net carrying amount. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

#### Revenue Recognition

The Society uses the deferral method of accounting for contributions. Under this method, restricted contributions are recognized as revenue in the period the related expenditure is incurred. In the current year there was \$162,615 (2020 - \$167,526) of restricted contributions made to the Society from various contributors. 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.

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements

August 31, 2021

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### 2. Significant Accounting Policies (continued)

Sponsorship revenues are recognized in the year it relates to and as stipulated in the specific sponsorship agreement.

Other income is recognized on an accrual basis.

#### **Donated Goods and Services**

From time to time the Society receives contributions by way of donated goods and services.

The Society recognizes these donated contributions at their fair market value where the fair value can readily be obtained and they would be otherwise purchased if not donated. When an estimated fair value cannot readily be obtained, the related contribution would be recognized at nominal value.

The Society relies on time donated by volunteers for a portion of its operations. The value of volunteers' donated services thereto cannot be reasonably estimated and therefore is not recorded in these financial statements.

#### **Use of Estimates**

The preparation of financial statements in conformity with the Canadian accounting standards for non-for-profit organizations 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 amounts of the revenue and expenses recorded during the reporting periods. The most significant application of estimates in these financial statements are the determination of the fair value of donated good and services and the determination of the useful lives of property and equipment. Actual results could differ from those estimates.

#### **Government Assistance**

Government assistance toward current expenses or revenues is included in the determination of net income for the period. When the Society becomes entitled to receive a forgivable loan, it is accounted for in the same manner as a grant. The liability to repay the government assistance is accounted for in the period in which conditions arise that will cause government assistance to be repayable.



# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements August 31, 2021

### 2. Significant Accounting Policies (continued)

#### Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instrument at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs which are amortized using the straight-line method.

Financial assets carried at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the: (i) present value of the expected cash flows, (ii) the amount that could be realized from selling the financial asset or (iii) the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### 3. Capital Assets

The Society's capital assets are as follows:

<b>August 31, 2021</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2021 Net Book Value</b>
Computers	\$ 4,337	\$ 1,907	\$ 2,430
Hockey Equipment	51,821	19,443	32,378
	\$ 56,158	\$ 21,350	\$ 34,808

<b>August 31, 2020</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2020 Net Book Value</b>
Computers	\$ 22,334	\$ 20,111	\$ 2,223
Hockey Equipment	106,751	59,670	47,081
	\$ 129,085	\$ 79,781	\$ 49,304

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements

August 31, 2021

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### 4. Financial Instruments

#### Credit Risk

Credit risk is the risk to the Society of financial loss due to a counterparty to a financial instrument failing to meet its contractual obligations. The Society is not exposed to significant credit risk due to the short term nature of its cash and cash equivalents and deals with creditworthy counterparties to mitigate risks. The GST receivable is owed from the federal government.

#### Liquidity Risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The majority of the Society's assets are held in cash and cash equivalents that can readily be liquidated and therefore the Society's liquidity risk is minimal.

#### Market Risk

Market risk is the risk that changes in market prices due to foreign exchange rate changes, interest rates and equity prices will affect the Society's income or the value of its financial instruments.

##### i) Other Price Risk

The Society is not engaged in selling goods and services to fund its operations and therefore, it is not exposed to the risk due to any price fluctuation.

##### ii) Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Society's majority of donations and expenses are denominated by Canadian dollars and therefore it is not exposed to currency risk.

##### iii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Society does not have any loan outstanding and therefore is not exposed to interest rate risk.

# HOCKEY EDUCATION REACHING OUT SOCIETY

## Notes To The Financial Statements

August 31, 2021

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### 5. Government Assistance

#### CEBA Loan

During the year the society has received the CEBA loan from the government of Canada in the amount of \$20,000 (2020 - \$40,000). Until December 31, 2022, the CEBA loan is interest free. If the society repays at least 75% (\$40,000) of the CEBA loan amount on or before December 31, 2022, the remaining 25% (\$20,000) will be forgiven. In such circumstances the 25% outstanding CEBA loan amount will be cancelled and the society will not have to repay it.

If less than 75% (\$40,000) of the CEBA loan amount is repaid on or before December 31, 2022, The CEBA Loan will automatically extend starting on January 1, 2023 for an additional term, maturing on December 31, 2025, with an interest rate of 5% per annum, calculated daily, compounded monthly, and payable on demand.

Given the government has the intention to forgive the \$20,000 of the loan, the Society has recognized the forgivable portion in the period entitled to receive the forgivable loan and has recorded it as government assistance.

#### CEWS

During the year, the Company received \$46,914 (2020 - \$38,330) as part of the federal government's Canada Emergency Wage Subsidy (CEWS) program. The Company has credited the amount to government assistance in the Statement of Income.

### 6. Remuneration of directors and employees

Under the British Columbia Societies Act, societies must disclose remuneration paid to directors and to employees whose remuneration was at least \$75,000 for the fiscal year.

The Society paid \$86,000 in remuneration to an employee during the applicable period.

### 7. Financial impact of the Novel Coronavirus (Covid-19)

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. At the time of approval of these financial statements, the Society has an uncertainty regarding future revenues. This factor presents uncertainty over future cashflows, may cause changes to assets or liabilities, and may have an impact on future operations. An estimate of the financial effect is unknown at this time.