

Pacific Peoples' Partnership Association

Financial Statements

Year ended June 30, 2020



INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of the Pacific Peoples' Partnership Association

Qualified Opinion

I have audited the financial statements of Pacific Peoples' Partnership Association (the "Association"), which comprise the statement of financial position as at June 30, 2020, and the statements of operations, changes 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 my opinion, except for the possible effects of the matter disclosed in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the statements of the Association as at June 30, 2020, and the results of its operations and 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 Association derives revenue from donations, 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 Association. Therefore, I was unable to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenses, and cash flows from operations for the year ended June 30, 2020, current assets and net assets as at June 30, 2020. My audit opinion on the financial statements for the year ended June 30, 2020 was modified accordingly because of the possible effects of this limitation in scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Association in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matters

I draw attention to Note 8 to the financial statements, which describes the impact of the COVID-19 pandemic on the Association. My opinion is not modified with respect to that matter.

I draw attention to Note 9 to the financial statements, which describes the impact of a prior period error. My opinion is not modified with respect to that matter.

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, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Association'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 Association's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Association 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.

I 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 I identify during my audit.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), I report that, in my opinion, the accounting principles in ASNPO have been applied on a basis consistent with that of the preceding year.



Victoria, BC
December 8, 2020

CHARTERED PROFESSIONAL ACCOUNTANT

Pewarchuk CPA Inc.

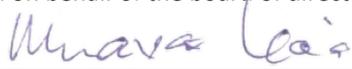
Pacific Peoples' Partnership Association

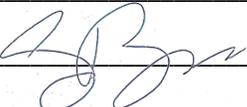
Statement of Financial Position

As at June 30, 2020 with comparative figures for June 30, 2019 and July 1, 2018

	Operating Fund \$	Capital Fund \$	Total June 30, 2020 \$	(restated) Total June 30, 2019 \$	(restated) Total July 1, 2018 \$
Assets					
Current assets					
Cash	96,996	-	96,996	34,442	18,768
Accounts receivable	14,921	-	14,921	6,075	-
Government remittances receivable	136	-	136	317	154
Prepaid expenses	1,805	-	1,805	1,483	951
	113,858	-	113,858	42,317	19,873
Property and equipment (Note 3)	-	13,543	13,543	3,709	5,428
Total assets	113,858	13,543	127,401	46,026	25,301
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	7,125	-	7,125	7,654	5,341
Government remittances payable	6,373	-	6,373	1,050	2,364
Deferred revenue (Note 4)	84,029	-	84,029	32,067	13,232
	97,527	-	97,527	40,771	20,937
Deferred contributions related to equipment (Note 5)	-	10,875	10,875	-	-
Total liabilities	97,527	10,875	108,402	40,771	20,937
Net Assets					
Unrestricted funds (deficit)	16,331	-	16,331	1,546	(1,064)
Invested in property and equipment	-	2,668	2,668	3,709	5,428
Total net assets	16,331	2,668	18,999	5,255	4,364
Total liabilities and net assets	113,858	13,543	127,401	46,026	25,301

Approved on behalf of the board of directors:


 _____, President


 _____, Treasurer

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

Pacific Peoples' Partnership Association

Statement of Net Assets

As at June 30, 2020 with comparative figures for 2019

	Unrestricted	Invested in Property and Equipment (Notes 3 & 5)	Endowment Fund (Note 7)	Total 2020	<i>(restated)</i> Total 2019
	\$	\$	\$	\$	\$
Net assets, beginning of year as previously stated	1,546	3,709	50,299	55,554	44,759
Retrospective restatement of prior period (Note 9)	-	-	(50,299)	(50,299)	(40,395)
Net assets, beginning of the year as restated	1,546	3,709	-	5,255	4,364
Allocation of income:					
Excess (deficiency) of revenue over expenses	14,918	(1,174)	-	13,744	891
Transfers between funds:					
Investment in property and equipment	(133)	133	-	-	-
Net assets, end of year	16,331	2,668	-	18,999	5,255

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

Pacific Peoples' Partnership Association

Statement of Operations

For the year ended June 30, 2020 with comparative figures for 2019

	Operating Fund \$	Capital Fund \$	Total 2020 \$	(restated) Total 2019 \$
Revenue				
Donations	119,644	-	119,644	137,113
Gaming Commission	32,500	4,125	36,625	27,000
Ministry Grants	35,000	-	35,000	24,000
Wage Subsidies	18,061	-	18,061	9,544
Municipal Funding	8,500	-	8,500	4,600
Interest	15	-	15	17
	<u>213,720</u>	<u>4,125</u>	<u>217,845</u>	<u>202,274</u>
Expenses				
Accounting and legal	8,328	-	8,328	7,125
Advertising	1,588	-	1,588	1,741
Amortization	-	5,299	5,299	1,719
Bank and financial processing charges	834	-	834	682
Board and AGM	733	-	733	568
Communications	2,491	-	2,491	2,343
Insurance	2,819	-	2,819	2,569
Materials and supplies	1,645	-	1,645	1,002
Memberships	1,316	-	1,316	1,290
Program delivery costs	81,043	-	81,043	109,894
Rental	4,920	-	4,920	12,320
Salaries/contractors	110,758	-	110,758	60,130
	<u>216,475</u>	<u>5,299</u>	<u>221,774</u>	<u>201,383</u>
Excess (deficiency) of revenues over expenses from operations	(2,755)	(1,174)	(3,929)	891
Other income				
COVID-19 subsidies (Note 8)	17,673	-	17,673	-
Excess (deficiency) of revenues over expenses	<u>14,918</u>	<u>(1,174)</u>	<u>13,744</u>	<u>891</u>

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

Pacific Peoples' Partnership Association

Statement of Cash Flows

For the year ended June 30, 2020 with comparative figures for 2019

	Operating Fund \$	Capital Fund \$	Total 2020 \$	Total 2019 \$
Operating Activities:				
Excess (deficiency) of revenues over expenses	14,918	(1,174)	13,744	891
Non-cash items:				
Amortization of property and equipment	-	5,299	5,299	1,719
Amortization of deferred contributions	-	(4,125)	(4,125)	-
Cash provided by (used in) changes in non-cash working capital items:				
Accounts receivable	(8,846)	-	(8,846)	(6,075)
Government remittances receivable	181	-	181	(163)
Prepaid expenses	(322)	-	(322)	(532)
Accounts payable and accrued liabilities	(529)	-	(529)	2,313
Government remittances payable	5,323	-	5,323	(1,314)
Deferred revenue	51,962	-	51,962	18,835
Net cash provided by operating activities	62,687	-	62,687	15,674
Investing and Financing Activities:				
Purchase of property and equipment	(15,133)	-	(15,133)	-
Deferred contributions related to equipment	15,000	-	15,000	-
Net cash (used by) investing and financing activities	(133)	-	(133)	-
Net increase in cash	62,554	-	62,554	15,674
Cash, beginning of year	34,442	-	34,442	18,768
Cash, end of year	96,996	-	96,996	34,442

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

Pacific Peoples' Partnership Association

Notes to the Financial Statements

Year ended June 30, 2020 with comparative figures for 2019

1. Purpose

Pacific Peoples' Partnership Association (the "Association") has been designated as a not-for-profit organization in Victoria, British Columbia. The purpose of the Association is to promote awareness of Pacific Islanders and educate others around the world on Pacific development issues. The Association is a registered charity under the Income Tax Act and as such is not subject to taxation.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund Accounting

The Operating Fund accounts for the Association's program and administrative activities. This fund reports unrestricted resources and restricted operating grants. The Capital Fund accounts for the Association's property and equipment.

Revenue Recognition

The Association follows the deferral method of accounting for contributions. 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 can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized when it is earned. Endowment contributions are recognized as direct increases to net assets and are not recorded as revenue.

Contributed Materials and Services

The Association receives contributions of both materials and services. Due to the difficulty in determining their fair value, only donated equipment is recorded at fair value when fair value can be reasonably estimated, otherwise contributed materials and services are not recognized in the financial statements.

Property and Equipment

Property and equipment are recorded at cost. Amortization is based on the estimated useful life of each asset using the following methods and rates:

Computer equipment	55%	Declining balance
Furniture and equipment	20%	Declining balance
Websites	30%	Declining balance

Pacific Peoples' Partnership Association

Notes to the Financial Statements

Year ended June 30, 2020 with comparative figures for 2019

2. Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Actual results could differ from those estimates.

Financial Instruments

The Association initially measures its financial assets and financial liabilities at fair value. The Association subsequently measures all of its financial assets and financial liabilities at amortized cost, except for cash and investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial instruments measured at amortized cost include accounts receivable, government remittances receivable, accounts payable and accrued liabilities, and government remittances payable.

3. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value 2020	Net Book Value 2019
	\$	\$	\$	\$
Computer equipment	17,308	(6,227)	11,081	244
Furniture and equipment	700	(413)	287	358
Websites	7,458	(5,283)	2,175	3,107
	25,466	(11,923)	13,543	3,709

4. Deferred Revenue

Deferred revenue represents restricted contributions received in the current year which are related to expenses of a subsequent year. Deferred revenue consists of the following:

	2020	2019
	\$	\$
For Programs:		
Rudolf Steiner Foundation	67,577	-
Commonwealth Foundation Grant	8,426	-
Horner Foundation	5,026	-
CRD Arts & Culture IDEA Grant	3,000	2,500
RBC Foundation BC Grant	-	20,000
City of Victoria Festival Investment Grant	-	6,000
Victoria Foundation Community Grant	-	3,567
	84,029	32,067

Pacific Peoples' Partnership Association

Notes to the Financial Statements

Year ended June 30, 2020 with comparative figures for 2019

5. Deferred Contributions Related to Equipment

Deferred contributions related to equipment represent contributions restricted to acquiring equipment. Deferred contributions are amortized on the same basis as the related equipment. The changes in the deferred contributions balance for the year are as follows:

	2020 \$	2019 \$
Beginning balance	-	-
Add: Contributions related to equipment	15,000	-
Less: Amounts amortized to revenue	(4,125)	-
	<u>10,875</u>	<u>-</u>

6. Financial Instruments and Risk Management

At June 30, 2020, the estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximated their respective carrying values due to their short-term nature.

The Association has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include credit risk, currency risk, interest rate risk, and liquidity risk. There have been no significant changes in the Association's risk exposure from the previous year.

Credit risk is the risk that one party to a financial transaction will cause financial loss for the other party by failing to discharge an obligation. The Association is not exposed to significant credit risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates. The Association is not exposed to significant currency 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 Association is not exposed to significant interest rate risks.

Liquidity risk is the risk that the Association will encounter difficulty in meeting financial liability obligations. The Association is not exposed to significant liquidity risk.

Pacific Peoples' Partnership Association

Notes to the Financial Statements

Year ended June 30, 2020 with comparative figures for 2019

7. Endowment Fund

The Association established a Hosted Endowment Fund named the Pacific Peoples' Partnership Esmonde Legacy Endowment Fund (the "Fund") with The Victoria Foundation in 2012. The funds are managed for the benefit of the Association and are held permanently. Gifts are made from time to time as determined by the Association or in accordance with the wishes of contributors. The Fund earns investment income in accordance with the Investment Policy of The Victoria Foundation. Distributions from the Fund are determined by the Distribution Policy of The Victoria Foundation. Contributions, investment income and grants paid are reported in the Pacific Peoples' Partnership Esmonde Legacy Endowment Fund by The Victoria Foundation. The fund assets are not recognized in the financial statements as they are not assets of the Association. The balance in the fund held with The Victoria Foundation as at June 30, 2020 was \$51,632 (2019: \$50,299).

8. COVID-19 Pandemic

The COVID-19 world-wide pandemic, which began during the year and continues subsequent to year-end, has caused business disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the extent and duration of the impacts. The overall financial impact of COVID-19 cannot be reasonably estimated at this time.

During the year, the company received federal government assistance related to COVID-19 subsidies in the amount of \$17,673 from the Canada Emergency Wage Subsidy ("CEWS") and the Canada Temporary Wage Subsidy. At year end, the association is owed \$12,022 from the CEWS which are accrued in accounts receivable.

9. Prior Period Restatements

The organization has discovered an error in how the endowment fund was reported in prior years. The endowment fund was incorrectly recognized as an asset and included in the net assets of the Association. Because this fund is held permanently with The Victoria Foundation it should have not been recognized as an asset of the Association. This resulted in an overstatement of assets and an overstatement of net assets in prior periods. As a result, the June 30, 2019 financial statements have been restated. As a result, the following items appearing in the June 30, 2019 financial statements have been increased (decreased) by the following amounts:

<i>Effect on Statement of Financial Position items (as at June 30, 2019 and July 1, 2018):</i>	<i>June 30, 2019</i>	<i>July 1, 2018</i>
Endowment fund asset	(\$50,299)	(\$40,395)
Total assets	(\$50,299)	(\$40,395)
Restricted funds	(\$50,299)	(\$40,395)
Total net assets	(\$50,299)	(\$40,395)

Effect on Statement of Net Assets (as at July 1, 2018):

Balance, beginning of year	(\$40,395)
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Effect on Statement of Operations (for the year ended June 30, 2019):

Net income	nil
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