

Dovercourt Recreation Association



Financial Statements For the year ended December 31, 2021



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Financial Statements
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Independent Auditor's Report

To the Members of Dovercourt Recreation Association

Opinion

We have audited the financial statements of Dovercourt Recreation Association (the "Association") which comprise the balance sheet as at December 31, 2021, 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 Association as at December 31, 2021, 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 Association 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 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 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.

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 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 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 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.

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.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
April 26, 2022
Ottawa, Ontario

Dovercourt Recreation Association Balance Sheet

December 31 **2021** **2020**

Assets

Current

Cash and cash equivalents (Note 2)	\$ 1,276,088	\$ 389,373
Accounts receivable (Note 8)	400,340	154,834
Government remittances receivable	12,859	3,780
Inventory	2,104	2,104
Prepaid expenses	41,542	48,953

1,732,933 **599,044**

Tangible capital assets (Note 3)

1,881,619 **1,972,660**

Intangible assets (Note 4)

43,897 **61,456**

\$ 3,658,449 **\$ 2,633,160**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 180,186	\$ 118,046
Government remittances payable	87,101	23,142
Deferred revenue	416,828	236,704
Deferred contributions (Note 5)	137,049	74,597

821,164 **452,489**

Loan payable (Note 6)

350,000 **350,000**

Deferred contributions related to tangible capital assets (Notes 7 and 9)

1,465,034 **1,437,879**

2,636,198 **2,240,368**

Net assets

Invested in tangible capital and intangible assets	460,482	596,237
Internally restricted reserve fund	124,198	124,198
Unrestricted	437,571	(327,643)

1,022,251 **392,792**

\$ 3,658,449 **\$ 2,633,160**

Approved on behalf of the board:

_____ Director

_____ Director

Dovercourt Recreation Association Statement of Changes in Net Assets

For the year ended December 31

	2021			
	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, beginning of year	\$ 596,237	\$ 124,198	\$ (327,643)	\$ 392,792
Excess (deficiency) of revenue over expenditures for the year	(44,605)	-	674,064	629,459
Capital contributions received	(125,775)	-	125,775	-
Investment in tangible capital and intangible assets	34,625	-	(34,625)	-
Balance, end of year	\$ 460,482	\$ 124,198	\$ 437,571	\$ 1,022,251

	2020			
	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, beginning of year	\$ 753,208	\$ 124,198	\$ 32,131	\$ 909,537
Deficiency of revenue over expenditures for the year	(64,354)	-	(452,391)	(516,745)
Capital contributions received	(102,718)	-	102,718	-
Investment in tangible capital and intangible assets	10,101	-	(10,101)	-
Balance, end of year	\$ 596,237	\$ 124,198	\$ (327,643)	\$ 392,792

Dovercourt Recreation Association Statement of Operations

For the year ended December 31	2021	2020
Revenue		
Programs (Schedule 1)	\$ 1,730,480	\$ 1,149,855
Operations and Community Development (Schedule 2)	427,062	348,130
Government Assistance (Note 8)	689,772	838,935
City of Ottawa Funding (Note 9)	429,442	418,384
	3,276,756	2,755,304
Direct expenses		
Programs (Schedule 1)	1,311,454	1,341,177
Operations and Community Development (Schedule 2)	1,651,443	1,930,872
	2,962,897	3,272,049
Surplus (loss) from operations	313,859	(516,745)
Other income		
Extraordinary funding (Note 9)	315,600	-
Excess (deficiency) of revenue over expenditures for the year	\$ 629,459	\$ (516,745)

Dovercourt Recreation Association Statement of Cash Flows

For the year ended December 31	2021	2020
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ 629,459	\$ (516,745)
Adjustment for		
Amortization of tangible capital assets	125,665	127,279
Amortization of intangible assets	17,559	17,559
Deferred contributions related to capital assets recognized	<u>(98,620)</u>	<u>(80,484)</u>
	674,063	(452,391)
Change in non-cash working capital items		
Accounts receivable	(245,506)	(73,772)
Government remittances receivable	(9,079)	(3,780)
Inventory	-	(680)
Prepaid expenses	7,411	4,143
Accounts payable and accrued liabilities	62,141	(115,588)
Government remittances payable	63,959	(30,656)
Deferred revenue	180,124	(75,474)
Deferred contributions	<u>62,452</u>	<u>16,906</u>
	<u>795,565</u>	<u>(731,292)</u>
Cash flows from (used in) investing activities		
Purchase of tangible capital assets	(34,625)	(10,101)
Capital contributions received	<u>125,775</u>	<u>102,718</u>
	<u>91,150</u>	<u>92,617</u>
Cash flows from (used in) financing activity		
Proceeds from loan payable	<u>-</u>	<u>350,000</u>
Increase (decrease) in cash and cash equivalents during the year	886,715	(288,675)
Cash and cash equivalents, beginning of year	<u>389,373</u>	<u>678,048</u>
Cash and cash equivalents, end of year	\$ 1,276,088	\$ 389,373

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

Nature of Operations

Dovercourt Recreation Association (the "Association") was incorporated in December 1977. It is a registered charity, non-taxable organization and operates the Dovercourt Recreation Centre, a building constructed and owned by the City of Ottawa. It provides recreational and leisure services to the Dovercourt community through committed, professional employees and dedicated community volunteers; high quality, creative and progressive programming; and healthy, safe and friendly environments in which all may thrive.

The City provides funding, which will vary from year to year, to the Association to defray annual operating costs. The city also pays directly certain costs of operating the building such as heat, water, electricity and repairs.

The Association provides a variety of programs for which registration fees are charged to participants.

1. Significant Accounting Policies

Basis of Presentation The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

Management Responsibility and Use of Estimates The financial statements of the Association are the responsibility of management and are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Since precise determination of many assets and liabilities at the financial statement date and the reported amount of revenues and expenses during the reporting period is dependent on future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements, however actual results could differ from management's best estimates and assumptions as additional information becomes available in the future.

Significant estimates include assumptions used in estimating the collectibility of accounts receivable, the useful life and related amortization of capital assets and provisions for certain accrued liabilities.

Financial Instruments Financial instruments are financial assets or liabilities of the Association where, in general, the Association has the right to receive cash or another financial asset from another party or the Association has the obligation to pay another party cash or other financial asset.

Dovercourt Recreation Association

Notes to the Financial Statements

December 31, 2021

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement of financial instruments

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The Association subsequently measures its financial assets and financial liabilities at amortized cost.

The Association's financial assets and financial liabilities measured at amortized cost include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess of revenue over expenses.

Transaction costs

The Association recognizes its transaction costs in excess of revenue over expenses in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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. Restricted contributions for the purchase of tangible capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the tangible capital assets. 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.

Program revenue, other revenue, and unrestricted investment income are recognized as revenue when earned.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

1. **Significant Accounting Policies (continued)**

Government Assistance During the year the Association applied for financial assistance under government incentive programs. The Association recognizes these incentives as government assistance when there is reasonable assurance that the Association has complied with the conditions for receipt of such assistance.

Cash and Cash Equivalents Cash and cash equivalents include redeemable investments or investments with an original maturity of less than 180 days.

Tangible Capital Assets Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is based on the estimated useful life of the asset and is provided as follows:

Facility expansion	Straight-line	20 years
Equipment	Straight-line	3-10 years
Contributed van	Straight-line	5 years
Furniture and fixtures	Straight-line	3-5 years
Computers	Straight-line	3 years
Facility improvements	Straight-line	3-20 years

Tangible capital assets that cost less than \$1,000 are charged to expense in the year of acquisition.

Artwork is not being amortized as it was determined to have an unlimited useful life.

Intangible Asset Intangible asset is recorded at cost. The Association provides for amortization using the straight-line method at rates designed to amortize the cost of the intangible asset over its estimated useful life. Intangible asset consists of computer software, which is expected to have a useful life of 5 years. One-half of the amortization rate is used in the year of acquisition.

Contributed Materials and Services Contributed materials and services which are used in the normal course of the Association's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Deferred Revenue Registration fees received for programs which have not commenced at December 31st are recorded as deferred revenue.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

1. **Significant Accounting Policies (continued)**

Internally Restricted Net Assets

A portion of the Association's net assets has been restricted in accordance with specific directives as approved by the Association's board of directors. The purpose of each is as follows:

Invested in Tangible Capital and Intangible Assets

Invested in tangible capital and intangible assets comprises the net book value of capital assets.

Restricted Reserve Fund

Designated for obligations of the Association to be used at the discretion of the board of directors. The intended use of the reserve is security against financial insolvency.

All expenses from the restricted reserve fund must be approved by the board of directors.

2. **Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,276,088	\$ 289,373
Term deposit	-	100,000
	<u>\$ 1,276,088</u>	<u>\$ 389,373</u>

The Association has available to it a line of credit with a limit of \$200,000 with TD bank. The line is secured by a general security agreement constituting a first ranking security interest in all property of the association and bears interest at bank prime rate plus 2%. Any amounts drawn on this facility are due on demand. \$nil was outstanding on this line of credit at year end.

The Association also have available to it credit cards with an aggregate credit limit of \$50,000, of which \$1,613 was utilized at year-end.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

3. Tangible Capital Assets

	2021		
	Cost	Accumulated Amortization	Net Book Value
Facility expansion	\$ 2,083,749	\$ 270,294	\$ 1,813,455
Equipment	26,338	8,965	17,373
Contributed van	58,729	34,249	24,480
Furniture and fixtures	21,025	12,600	8,425
Computers	4,620	4,620	-
Facility improvements	11,733	2,347	9,386
Artwork	8,500	-	8,500
	\$ 2,214,694	\$ 333,075	\$ 1,881,619
	2020		
	Cost	Accumulated Amortization	Net Book Value
Facility expansion	\$ 2,083,749	\$ 166,112	\$ 1,917,637
Equipment	10,796	7,288	3,508
Contributed van	43,481	21,740	21,741
Furniture and fixtures	23,035	12,144	10,891
Computers	9,190	8,780	410
Facility improvements	41,971	31,998	9,973
Artwork	8,500	-	8,500
	\$ 2,220,722	\$ 248,062	\$ 1,972,660

During the year, the Association wrote off \$40,654 (2020 - \$11,475) of fully amortized assets.

4. Intangible Assets

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 87,794	\$ 43,897	\$ 43,897	\$ 61,456

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

5. Deferred Contributions

Deferred contributions represents funds received in the current year that relates to operations of the subsequent year.

	Balance, beginning of year	Received	Recognized	Balance, end of year
Kichi Sibi winter trail	\$ 74,597	\$ 125,054	\$ (62,602)	\$ 137,049

6. Loan Payable

In the prior year, the Association received a \$350,000 interest-free loan from the City of Ottawa, repayable on October 2023. Under the loan agreement, the loan will be interest-free until October 2023, with the principle amount being due at this time. If not repaid by October 2023, interest will accrue on any balance outstanding of the principle amount

7. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets represents a donated tangible capital asset, as well as contributions received to fund the facility expansion.

	2021	2020
Balance, beginning of year	\$ 1,437,879	\$ 1,415,645
Contributions received	125,775	102,718
Amounts recognized as revenue during the year	1,563,654 (98,620)	1,518,363 (80,484)
Balance, end of year	\$ 1,465,034	\$ 1,437,879

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

8. Government Assistance

During the year, the Association applied for funding under the Canada Emergency Wage Subsidy ("CEWS") relief program, the Canada Recovery Hiring Program ("CHRP") relief program, and the Tourism and Hospitality Recovery Program ("THRP") relief program established by the Federal Government of Canada. The subsidy programs are meant to assist businesses and organizations that saw large drops in revenue, in established periods, as a result of the impacts the COVID-19 pandemic. The purpose of the funding is to help organizations maintain the employment of their staff through covering payroll costs.

The Association applied for funding of \$689,772 (2020 - \$838,935) under these programs, which has been included in government assistance on the statement of operations. As at December 31, 2021, the accounts receivable balance as set out on the balance sheet includes receivables for this funding of \$336,905 (2020 - \$125,787).

The Government of Canada maintains the right to audit the claims supporting these contributions. Request for repayment of contributions, if any, will be recorded in the year the government provides notification to the Association.

During the year, the Association also received \$863,425 in funding from the City of Ottawa, as described in Note 9 to these financial statements.

During the year, the Association also received funding in the amount of \$176,438 from other government sources. This funding has been included in program revenue on the statement of operations, and in recreation revenue in Schedule 1 - Programs.

9. City of Ottawa Funding

Total funding received from the City of Ottawa during the year was as follows:

	<u>2021</u>		<u>2020</u>
Purchase of service agreement	\$ 419,925	\$	408,866
Outdoor Rink Grant	9,517		9,518
	<u>\$ 429,442</u>	<u>\$</u>	<u>418,384</u>

In addition to the funding listed above, the City of Ottawa also funded \$110,383 related to past building expansion costs, which has been included in deferred contributions related to tangible capital assets, and approximately \$8,000 related to inclusion programs, which has been included in program revenue on the statement of operations, and in recreation revenue in Schedule 1 - Programs. In addition, the City of Ottawa also funded \$315,600 as emergency funding, which is considered one-time funding and as such, has been included in extraordinary funding on the statement of operations.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

10. Commitments

The Association has entered into a services contract for its registration software and is committed to an annual payment of \$52,000 plus HST until June 2024.

11. Uncertainty Due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are any additional measures to be taken by governments, the Association or others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of this pandemic is subject to significant uncertainty and accordingly it is unknown whether COVID-19 may materially and adversely impact the Association's operations, financial results and condition in future periods.

12. Financial Instruments Risks and Concentrations

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations as at December 31, 2021.

Market risk

Market risk 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, interest rate risk, and other price risk. The Association is not exposed to any significant market risk.

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 Association is exposed to credit risk in the event of non-payment by their customers for their accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Changes in risk

There have been no significant changes in the Association's risk exposures from the previous fiscal year.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2021

13. Comparative Amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**Dovercourt Recreation Association
Schedule 1 - Programs**

For the year ended December 31	2021	2020
Revenue		
Aquatics	\$ 533,011	\$ 438,474
Arts and Culture	65,613	34,109
Health and Fitness	94,710	144,841
Recreation	<u>1,037,146</u>	<u>532,431</u>
	<u>1,730,480</u>	<u>1,149,855</u>
Direct expenses		
Aquatics	386,229	385,860
Amortization	937	3,151
Arts and Culture	39,081	48,262
Health and Fitness	121,109	202,581
Recreation	<u>764,098</u>	<u>701,323</u>
	<u>1,311,454</u>	<u>1,341,177</u>
Net revenue from programs	\$ 419,026	\$ (191,322)

Dovercourt Recreation Association
Schedule 2 - Operations and Community Development

For the year ended December 31	2021	2020
Revenue		
Fundraising	\$ 10,070	\$ 21,808
Community Development	238,365	163,173
Deferred contributions recognized	98,620	80,484
Parties and rentals	241	22,748
Other revenue	79,766	59,917
	427,062	348,130
Direct expenses		
Operations	1,313,094	1,581,413
Amortization	142,287	141,687
Community Development	195,937	173,158
Parties and rentals	125	34,614
	1,651,443	1,930,872
Net loss from operations and community development	\$ (1,224,381)	\$ (1,582,742)