

Dovercourt Recreation Association



Financial Statements For the year ended December 31, 2023



Dovercourt Recreation Association
Financial Statements
For the year ended December 31, 2023

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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, 2023, 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, 2023, 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
May 9, 2024
Ottawa, Ontario

Dovercourt Recreation Association Balance Sheet

December 31	2023	2022
Assets		
Current		
Cash (Note 2)	\$ 277,624	\$ 1,785,222
Money market (Note 2)	1,689,608	-
Accounts receivable	109,167	72,535
Government remittances recoverable	51,199	28,683
Prepaid expenses	38,392	51,632
Inventory	2,104	2,104
	2,168,094	1,940,176
Tangible capital assets (Note 3)	1,698,648	1,810,737
Intangible assets (Note 4)	8,779	26,338
	\$ 3,875,521	\$ 3,777,251

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 2)	\$ 223,578	\$ 236,565
Government remittances payable	41,919	58,474
Deferred revenue	618,736	506,393
Deferred contributions (Note 5)	-	111,693
Current portion of loan payable (Note 6)	111,533	350,000
	995,766	1,263,125
Loan payable (Note 6)	207,493	-
Deferred contributions related to tangible capital assets (Note 7)	1,277,063	1,370,798
	2,480,322	2,633,923
Net assets		
Invested in tangible capital and intangible assets	430,364	466,277
Internally restricted reserve fund	124,198	124,198
Unrestricted	840,637	552,853
	1,395,199	1,143,328
	\$ 3,875,521	\$ 3,777,251

Approved on behalf of the board:

Greg Boddy Director

Jude Pattenden Director

Dovercourt Recreation Association Statement of Changes in Net Assets

For the year ended December 31

2023

	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, beginning of year	\$ 466,277	\$ 124,198	\$ 552,853	\$ 1,143,328
Excess (deficiency) of revenue over expenditures for the year	(76,352)	-	328,223	251,871
Investment in tangible capital and intangible assets	55,823	-	(55,823)	-
Proceeds on disposal of tangible capital assets	(32,884)	-	32,884	-
Deferred contributions repaid to SJAM for winter trail	17,500	-	(17,500)	-
Balance, end of year	\$ 430,364	\$ 124,198	\$ 840,637	\$ 1,395,199

2022

	Invested in Tangible Capital and Intangible Assets	Internally Restricted Reserve Fund	Unrestricted	Total
Balance, beginning of year	\$ 460,482	\$ 124,198	\$ 437,571	\$ 1,022,251
Excess (deficiency) of revenue over expenditures for the year	(61,553)	-	182,630	121,077
Investment in tangible capital and intangible assets	67,348	-	(67,348)	-
Balance, end of year	\$ 466,277	\$ 124,198	\$ 552,853	\$ 1,143,328

Dovercourt Recreation Association Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Programs (Schedule 1)	\$ 4,506,891	\$ 3,350,858
Operations and Community Development (Schedule 2)	524,344	468,665
Government Assistance (Note 8)	-	244,465
City of Ottawa Funding (Note 9)	448,158	432,988
	<u>5,479,393</u>	<u>4,496,976</u>
Direct expenses		
Programs (Schedule 1)	2,795,626	2,008,174
Operations and Community Development (Schedule 2)	2,431,896	2,367,725
	<u>5,227,522</u>	<u>4,375,899</u>
Excess of revenue over expenditures for the year	\$ 251,871	\$ 121,077

Dovercourt Recreation Association Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from (used in) operating activities		
Excess of revenue over expenditures for the year	\$ 251,871	\$ 121,077
Adjustment for		
Amortization of tangible capital assets	135,028	138,230
Amortization of intangible assets	17,559	17,559
Deferred contributions related to capital assets recognized	<u>(76,235)</u>	<u>(94,235)</u>
	328,223	182,631
Change in non-cash working capital items		
Accounts receivable	(36,632)	329,365
Government remittances receivable	(22,516)	(18,282)
Prepaid expenses	13,240	(10,090)
Accounts payable and accrued liabilities	(12,987)	57,276
Government remittances payable	(16,555)	(28,627)
Deferred revenue	112,343	89,565
Deferred contributions	<u>(111,693)</u>	<u>(25,356)</u>
	253,423	576,482
Cash flows from (used in) investing activities		
Purchase of tangible capital assets	(55,823)	(67,348)
Proceeds on disposal of tangible capital assets	<u>32,884</u>	-
	(22,939)	(67,348)
Cash flows from (used in) financing activities		
Repayment of loan payable	(30,974)	-
Deferred contributions repaid to SJAM for winter trail	<u>(17,500)</u>	-
	(48,474)	-
Increase in cash during the year	182,010	509,134
Cash, beginning of year	1,785,222	1,276,088
Cash, end of year	\$ 1,967,232	\$ 1,785,222
Cash consists of:		
Cash	\$ 277,624	\$ 1,785,222
Money market	<u>1,689,608</u>	-
	\$ 1,967,232	\$ 1,785,222

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2023

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, 2023

1. Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement of arm's length financial instruments

The Association initially measures its arm's length financial assets and liabilities at fair value. The Association subsequently measures arm's length financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

Arm's length financial assets and financial liabilities measured at amortized cost include cash, accounts receivable, and accounts payable and accrued liabilities.

There are no financial assets or financial liabilities measured at fair value.

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 arm's length 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.

Dovercourt Recreation Association

Notes to the Financial Statements

December 31, 2023

1. Significant Accounting Policies (continued)

Revenue Recognition (continued) Program revenue, other revenue, and unrestricted investment income are recognized as revenue when earned.

Government Assistance The Association receives government funding which is subject to specific terms and conditions. The Association's records are subject to audit by the City of Ottawa to identify instances, if any, in which amounts charged against contributions have not complied with the agreed upon terms and conditions and which therefore would be refundable to the City of Ottawa. Adjustments to prior years' contributions are recorded in the year in which the City of Ottawa requests the adjustments.

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:

Computers	Straight-line	3 years
Contributed van	Straight-line	5 years
Equipment	Straight-line	3-10 years
Facility expansion	Straight-line	20 years
Facility improvements	Straight-line	3-20 years
Furniture and fixtures	Straight-line	3-5 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, 2023

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, net of the unamortized portion of deferred contributions related to tangible and intangible 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, Cash Equivalents, and Credit Facilities

The Association's cash and money market bank accounts are held at one chartered bank and earn interest.

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 has available to it credit cards with an aggregate credit limit of \$90,000, of which \$5,205 (2022 - \$4,967) was utilized at year-end and is included in accounts payable and accrued liabilities.

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2023

3. Tangible Capital Assets

	2023		
	Cost	Accumulated Amortization	Net Book Value
Artwork	\$ 8,500	\$ -	\$ 8,500
Computers	71,470	35,985	35,485
Contributed van	43,481	43,481	-
Equipment	12,505	7,093	5,412
Facility expansion	2,083,749	478,658	1,605,091
Facility improvements	36,363	5,573	30,790
Furniture and fixtures	29,053	15,683	13,370
	\$ 2,285,121	\$ 586,473	\$ 1,698,648
			2022
	Cost	Accumulated Amortization	Net Book Value
Artwork	\$ 8,500	\$ -	\$ 8,500
Computers	31,866	13,702	18,164
Contributed van	58,729	46,757	11,972
Equipment	50,001	18,452	31,549
Facility expansion	2,083,749	374,476	1,709,273
Facility improvements	28,172	4,048	24,124
Furniture and fixtures	21,025	13,870	7,155
	\$ 2,282,042	\$ 471,305	\$ 1,810,737

During the year, the Association disposed of capital assets with a cost of \$52,743 and accumulated amortization of \$19,858 for proceeds of \$32,885, recognizing no gain or loss on disposal (2022 - no assets were disposed of).

4. Intangible Assets

	2023			2022
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer software	\$ 87,794	\$ 79,015	\$ 8,779	\$ 26,338

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2023

5. Deferred Contributions

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

	Balance, beginning of year	Other	Balance, end of year
Kichi Sibi winter trail	\$ 111,693	\$ (111,693)	\$ -

During the year, the deferred contributions related to the Kichi Sibi winter trail were paid back as the winter trail operations were separated from the organization.

6. Loan Payable

	<u>2023</u>	<u>2022</u>
Loan payable, City of Ottawa, interest at 4.45% per year, due July 28, 2026, repayable in blended quarterly payments of \$30,974 (2022 - interest-free, repayable October 2023)	\$ 319,026	\$ 350,000
Less current portion	<u>111,533</u>	<u>350,000</u>
Long-term portion	<u>\$ 207,493</u>	<u>\$ -</u>

In 2020, the Association received a \$350,000 interest-free loan from the City of Ottawa. Under the loan agreement, the loan was interest-free until October 2023. As of October 2023 interest will accrue on the balance outstanding on the principal amount at a rate equal to prime plus 2%.

Principal repayments until maturity are as follows:

2024	\$ 111,533
2025	116,599
2026	<u>90,894</u>
	<u>\$ 319,026</u>

Dovercourt Recreation Association Notes to the Financial Statements

December 31, 2023

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.

	2023	2022
Balance, beginning of year	\$ 1,370,798	\$ 1,465,034
Amounts repaid to SJAM for winter trail	(17,500)	-
	1,353,298	1,465,034
Amounts recognized as revenue during the year	(76,235)	(94,236)
Balance, end of year	\$ 1,277,063	\$ 1,370,798

8. Government Assistance

The Association received funding from the City of Ottawa, as described in Note 9 to these financial statements, which is included in City of Ottawa revenue on the statement of operations.

The Association also received funding in the amount of \$67,777 (2022 - \$172,248) 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:

	2023	2022
Community Funding Program	\$ 445,212	\$ 427,924
Outdoor Rink Grant	2,946	5,064
	\$ 448,158	\$ 432,988

Dovercourt Recreation Association

Notes to the Financial Statements

December 31, 2023

10. 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, 2023.

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 and its loan payable.

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 exposed to interest rate risk.

Interest rate 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 exposed to interest rate risk on its money market account which earns interest at tiered fixed rates, and on its long-term debt which accrues interest at a fixed rate. The fixed rate interest risk presents a fair value risk to the Association.

Changes in risk

The Association is now exposed to interest rate risk with respect to its market market account and long-term debt. There have been no other significant changes in the Association's risk exposures from the previous fiscal year.

11. 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	2023	2022
Revenue		
Aquatics	\$ 1,499,425	\$ 1,193,160
Health and Fitness	380,347	199,207
Recreation (Note 8)	<u>2,627,119</u>	<u>1,958,491</u>
	<u>4,506,891</u>	<u>3,350,858</u>
Direct expenses		
Aquatics	683,992	596,234
Health and Fitness	302,709	221,982
Recreation	<u>1,808,925</u>	<u>1,189,958</u>
	<u>2,795,626</u>	<u>2,008,174</u>
Net revenue from programs	<u>\$ 1,711,265</u>	<u>\$ 1,342,684</u>

Dovercourt Recreation Association
Schedule 2 - Operations and Community Development

For the year ended December 31	2023	2022
Revenue		
Fundraising	\$ 32,179	\$ 13,983
Community development	225,243	286,922
Deferred contributions recognized	76,235	94,235
Parties and rentals	1,091	360
Interest income	113,928	1,257
Other revenue	75,668	71,908
	524,344	468,665
Direct expenses		
Operations	1,759,884	1,642,424
Amortization	152,587	155,789
Community Development	519,425	569,422
Parties and rentals	-	90
	2,431,896	2,367,725
Net loss from operations and community development	\$ (1,907,552)	\$ (1,899,060)