

BEAUTIFUL WORLD CANADA FOUNDATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2019**



BEAUTIFUL WORLD CANADA FOUNDATION
DECEMBER 31, 2019

CONTENTS

Independent auditor's report	2 - 3
Statement of financial position	4
Statement of operations and changes in net assets	5
Statement of cash flow	6
Notes to financial statements	7 - 10





CHARTERED
PROFESSIONAL
ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

GCSE LLP
The Madison Centre
4950 Yonge Street,
Suite 1900
Toronto, ON M2N 6K1

T: +1 416 512 6000
F: +1 416 512 9800

www.gcsellp.com

*To the Directors of
Beautiful World Canada Foundation,*

Opinion

We have audited the accompanying financial statements of Beautiful World Canada Foundation, which comprise the statement of financial position as at December 31, 2019, the statement of operations and changes in net assets and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Beautiful World Canada Foundation as at December 31, 2019 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Beautiful World Canada Foundation 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 Beautiful World Canada Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenue over expenses and cash flow from operating activities for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018 and net assets as at January 1, 2019 and December 31, 2019 and 2018. Our audit opinion on the financial statements for the year ended December 31, 2018 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 Beautiful World Canada Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Those charged with governance are responsible for overseeing Beautiful World Canada Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 statement, 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 Beautiful World Canada Foundation'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 Beautiful World Canada Foundation'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 Beautiful World Canada Foundation 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.

Toronto, Canada
September 17, 2020

GCSE LLP

Chartered Professional Accountants
Licensed Public Accountants



BEAUTIFUL WORLD CANADA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
	\$	\$
ASSETS		
Current assets		
Cash	176,538	160,408
Prepaid expenses	2,009	1,203
Marketable securities	-	5,014
	178,547	166,625
Life insurance policy	86,823	86,823
	265,370	253,448
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	3,158	3,293
Deferred contributions (note 2)	16,253	38,505
Due to related company (note 3)	19,739	1,055
	39,150	42,853
Net assets	226,220	210,595
	265,370	253,448

(See accompanying notes to financial statements)

On behalf of the Board:

BEAUTIFUL WORLD CANADA FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	\$	\$
<hr/>		
REVENUE		
Donations <i>(note 3)</i>	616,606	854,530
Loss on sale of marketable securities	(125)	-
Dividends	67	-
	<hr/>	<hr/>
	616,548	854,530
<hr/>		
EXPENSES		
Operations <i>(note 3)</i>	95,556	105,934
Fundraising events expenses	7,036	15,232
International programs expenditures	498,331	697,882
	<hr/>	<hr/>
	600,923	819,048
<hr/>		
EXCESS OF REVENUE OVER EXPENSES	15,625	35,482
NET ASSETS, BEGINNING OF YEAR	210,595	175,113
<hr/>		
NET ASSETS, END OF YEAR	226,220	210,595
<hr/>		

(See accompanying notes to financial statements)

BEAUTIFUL WORLD CANADA FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
	\$	\$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of revenue over expenses	15,625	35,482
Adjustment for items not affecting cash:		
Donated marketable securities	5,014	(5,014)
Donated life insurance policy	-	(86,823)
	5,014	(91,837)
Changes in non-cash working capital:		
Prepaid expenses	(806)	3,206
Accounts payable and accrued liabilities	(135)	(2,627)
Deferred contributions	(22,252)	(22,252)
	(23,193)	(21,673)
Cash used in operating activities	(2,554)	(78,028)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Due to related company	18,684	(36,913)
Cash provided by (used in) financing activities	18,684	(36,913)
NET CHANGE IN CASH	16,130	(114,941)
CASH, BEGINNING OF YEAR	160,408	275,349
CASH, END OF YEAR	176,538	160,408

(See accompanying notes to financial statements)

DESCRIPTION OF ORGANIZATION AND INCOME TAX STATUS

Beautiful World Canada Foundation (the "Foundation") was incorporated as a not-for-profit corporation without share capital under Part II of the Canada Corporations Act on August 24, 2011. The objective of the Foundation is to fund and support education for children in the developing world. The Foundation is a registered charity as defined in the Income Tax Act and is exempt from income tax under Section 149(1)(f).

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

Cash

Cash consists of funds held in an operating bank account.

Revenue recognition

The Foundation follows the deferral method for accounting for contributions. The Foundation receives donations from other registered charities, corporate donors and private donors. Donations are also collected via a third party website. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Where related expenses have not been incurred in the year, the contributions are recorded as deferred contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Donated goods and services

The value of donated goods is recorded as revenue in the financial statements when fair value can be reasonably estimated.

The Foundation benefits substantially from services in the form of volunteer time. The value of volunteer services is not recorded in these financial statements.

Measurement of financial instruments

The Foundation's financial instruments consist of cash, accounts payable and accrued liabilities. Financial instruments are initially recorded at their fair value and subsequently measured at amortized cost with exception of marketable securities. Marketable securities are subsequently measured at fair value. The amount due to related company is also a financial instrument but is accounted for in accordance with the accounting policy set out for related party transactions.

Where there is an indication of impairment or such an impairment is determined to have occurred, the carrying amount of financial assets is reduced by the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of that asset. If the circumstances that led to the Foundation recording an impairment improve and management determines that all or a portion of the impairment can be recovered, the impairment is reversed up to the amount that the financial asset would have otherwise been recorded at on the reversal date.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Life insurance policy

The Foundation is owner and beneficiary of a donated universal life insurance policy. Under the terms of the insurance contract, the policy will pay out upon the death of the insured board member. Accordingly, the policy is initially recorded at the fair value on the date of donation.

The policy is tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment of the policy is recognized in an amount equal to the difference between the policy's carrying value and the fair value, calculated based on the present value of undiscounted future cash flows expected to be generated. An impairment charge is recorded in excess of revenue over expenses. Impairment charges are not reversed if there is a subsequent increase in its fair value.

Related party transactions

The Foundation initially measures monetary related party transactions and non-monetary related party transactions entered into during the normal course of operations and that have commercial substance, at the exchange amount, which is the amount agreed to by the related parties. Where the transaction is not in the normal course of operations, the exchange amount is only used when the change in ownership interest in the transferred item is substantive and there is independent evidence of the exchange amount. All other related party balances are initially measured at the carrying amount.

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 amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Foundation may undertake in the future. Actual results may differ from these estimates.

2 DEFERRED CONTRIBUTIONS

	2019	2018
	\$	\$
Deferred contributions, beginning of year	38,505	60,757
Contributions earned during the year	22,252	22,252
Deferred contributions, end of year	16,253	38,505

3 RELATED PARTY INFORMATION

Due to related company

The amount due to related company is due to a company owned by one of the directors. The amount is non-interest bearing, unsecured and has no specific terms of repayment.

Related party transactions

During the year, the Foundation received donations in the amount of \$325,000 (2018 - \$287,825) from a related charity and company with common directors.

During the year, the Foundation paid \$18,984 (2018 - \$18,984) for rent and telephone services to a company owned by one of its directors. These amounts are included in operations expense.

The above transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Foundation does not extend credit and there are no receivable balances, thus, the Foundation is not subject to credit risk.

Foreign exchange risk

The Foundation is exposed to foreign exchange risk since 80% (2018 - 89%) of international program expenditures are denominated in U.S. dollars and local African currencies. The Foundation converts its Canadian dollars to the relevant foreign currency on the payment date and consequently no foreign exchange gains or losses are realized on payments under the funding agreements. The Foundation does not enter into any forward contracts to mitigate the risk that the fluctuating exchange rates may impact the cash flows under the funding agreements.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with a financial instrument will fluctuate as a result of changes in market interest rates. The Foundation maintains cash in accounts at Canadian chartered banks that bear interest at nominal rates. The Foundation does not rely on the interest to fund ongoing operations. Exposure to interest rate risk is minimal.

Liquidity risk

Liquidity risk relates to the Foundation's ability to meet its obligations as they come due. The Foundation depends upon donations in order to fund its operations and meet its obligations. In the event that the Foundation requires cash to meet its obligations, a charity with common directors and a company owned by one of the directors have readily provided funds for the Foundation in the past. The Foundation does not otherwise manage liquidity risk.

5 SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The spread of the COVID-19 virus has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

This has resulted in significant economic uncertainty, of which the potential impact on the Foundation's future results is difficult to reliably measure. Management expects that the Foundation will be receiving less donations until such time as restrictions have been lifted and the general public again feels comfortable in attending fundraising events.

In response to the COVID-19 pandemic, the Foundation is actively taking the following actions to support its operations:

- the Foundation has applied for the Canada Emergency Wage Subsidy program to support payroll for staff; and
- the Foundation is in the process of applying for a government grant from Global Affairs Canada.