

ONTARIO PUBLIC INTEREST RESEARCH GROUP MCMASTER

FINANCIAL STATEMENTS

AUGUST 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ontario Public Interest Research Group McMaster

Qualified Opinion

We have audited the financial statements of Ontario Public Interest Research Group McMaster, which comprise the balance sheet as at August 31, 2020, and the statements of revenues and expenses and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2020, and its results of operations and its cash flows 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, the organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended August 31, 2020 and 2019, current assets as at August 31, 2020 and 2019, and net assets as at September 1 and August 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended August 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization 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 qualified opinion.

Other Matter

The financial statements of the organization for the year ended August 31, 2019 were audited by another auditor who expressed an qualified opinion on those financial statements on September 2, 2020.

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

Those charged with governance are responsible for overseeing the organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

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 organization'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 organization'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 organization to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DBK Accounting Professional Corporation

Hamilton, Ontario
February 18, 2021

DBK Accounting Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

ONTARIO PUBLIC INTEREST RESEARCH GROUP MCMASTER

BALANCE SHEET
AS AT AUGUST 31, 2020

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 57,637 | \$ 40,096 |
| Accounts receivable | - | 1,312 |
| Prepaid expenses | <u>6,118</u> | <u>1,558</u> |
| | 63,755 | 42,966 |
| Capital assets (Note 3) | <u>4,870</u> | <u>6,221</u> |
| | <u>\$ 68,625</u> | <u>\$ 49,187</u> |
| LIABILITY | | |
| Current liability | | |
| Accounts payable and accrued liabilities | \$ 11,559 | \$ 35,322 |
| FUND BALANCES | | |
| Unrestricted | <u>57,066</u> | <u>13,865</u> |
| | <u>\$ 68,625</u> | <u>\$ 49,187</u> |

Approved on behalf of the Board:

Director
See accompanying notes to the financial statements

Director
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ONTARIO PUBLIC INTEREST RESEARCH GROUP MCMMASTER

**STATEMENT OF REVENUES AND EXPENSES AND FUND BALANCES
FOR THE YEAR ENDED AUGUST 31, 2020**

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Revenues | | |
| Student fees | \$ 92,123 | \$ 128,686 |
| Other income | 999 | 2,168 |
| Merchandise | 783 | 3,164 |
| Projects | 338 | 900 |
| Grants and programs | <u>-</u> | <u>4,195</u> |
| | 94,243 | 139,113 |
| Expenses | | |
| Accounting and legal | 2,094 | 581 |
| Advertising and promotion | 1,893 | 1,685 |
| Amortization | 1,352 | 2,169 |
| Fair trade products | 228 | 2,046 |
| Insurance | 1,780 | 2,568 |
| Interest and bank charges | - | 27 |
| Office | 209 | 2,277 |
| Other programming | 6,867 | 6,993 |
| Professional fees | 4,520 | 2,658 |
| Projects | 789 | 6,121 |
| Repairs and maintenance | - | 293 |
| Salaries and related benefits | 28,888 | 213,415 |
| Telephone and utilities | 353 | 494 |
| Training and development | 250 | 1,092 |
| University fees | 921 | 1,317 |
| Working groups | <u>898</u> | <u>1,810</u> |
| | <u>51,042</u> | <u>245,546</u> |
| Excess (deficiency) of revenues over expenses for the year | 43,201 | (106,433) |
| Unrestricted, beginning of year | <u>13,865</u> | <u>120,298</u> |
| Unrestricted, end of year | <u>\$ 57,066</u> | <u>\$ 13,865</u> |

ONTARIO PUBLIC INTEREST RESEARCH GROUP MCMMASTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Operating activities | | |
| Excess (deficiency) of revenues over expenses | \$ 43,201 | \$ (106,433) |
| Adjustment for Amortization | <u>1,352</u> | <u>2,169</u> |
| | 44,553 | (104,264) |
| Net Change in non-cash working capital items | | |
| Accounts receivable | 1,312 | 5,305 |
| Prepaid expenses | (4,560) | 307 |
| Accounts payable and accrued liabilities | (23,764) | 10,607 |
| Unearned revenue | <u>-</u> | <u>(539)</u> |
| Increase (decrease) in cash | 17,541 | (88,584) |
| Cash, beginning of year | <u>40,096</u> | <u>128,680</u> |
| Cash, end of year | <u>\$ 57,637</u> | <u>\$ 40,096</u> |

ONTARIO PUBLIC INTEREST RESEARCH GROUP MCMMASTER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

1. Nature of operations

Ontario Public Interest Research Group McMaster was incorporated as a corporation without share capital by letters patent under the Ontario Corporations Act on December 2, 1996. The corporation is a not-for-profit organization and is therefore exempt from payment of income taxes as provided under the Income Tax Act.

The organization's purpose is to engage in charitable research and other non-profit activities to advance the welfare of the community.

2. Significant accounting policies

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

(a) Capital assets

Capital assets are recorded at cost. The organization provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

| | |
|------------------------|-----|
| Furniture and fixtures | 20% |
| Computer equipment | 30% |

(b) Investments

The organization follows the market method of accounting for its investments, written down for any permanent impairment value.

(c) Revenue recognition

Restricted donations are recognized as revenue in the year in which the related grants are expensed.

Unrestricted donations are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government assistance is recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(d) Volunteer Service

Because the hours of service by volunteers are not normally purchased by the organization and the difficulty in determining their fair market value, contributed services are not recognized in the financial statements.

ONTARIO PUBLIC INTEREST RESEARCH GROUP MCMMASTER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

2. Significant accounting policies, continued

(e) 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 amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are valuation of short-term investments and accounts receivable.

(f) Financial instrument classification

The organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and bank. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

At the end of reporting period, the organization assesses whether there are any indications that a financial asset may be impaired. When there is an indication of impairment, the carrying amount of the asset is reduced and the amount of the reduction is recognized as an impairment loss in the statement of revenues and expenses.

3. Capital assets

| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>2020 Net</u> | <u>2019 Net</u> |
|------------------------|------------------|-------------------------------------|---------------------|---------------------|
| Furniture and fixtures | \$ 10,966 | \$ 6,847 | \$ 4,119 | \$ 5,148 |
| Computer equipment | <u>18,525</u> | <u>17,774</u> | <u>751</u> | <u>1,073</u> |
| | <u>\$ 29,491</u> | <u>\$ 24,621</u> | <u>\$ 4,870</u> | <u>\$ 6,221</u> |

4. 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 excess of expenses over revenues.

5. Economic dependence

The organization receives the majority of its revenue through a funding agreement with McMaster University whereby a portion of the student's fees is contributed to the organization. The agreement can be cancelled by McMaster University if the organization does not observe established guidelines.

As the organization's primary source of revenue is from student fees, its ability to continue viable operations is dependent upon maintaining its agreement with McMaster University.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

6. Subsequent events

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the organization's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the organization's operations.

The extent of the impact of this outbreak and related containment measures on the organization's operations cannot be reliably estimated at this time.

7. Financial instruments

Liquidity risk

Liquidity risk arise through having excess financial obligations over available financial assets at any point in time. The organization's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The organization achieves this by attempting to maintain sufficient cash and cash equivalents.