

UMOJA OPERATION COMPASSION SOCIETY

Financial Statements

December 31, 2019

UMOJA OPERATION COMPASSION SOCIETY

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Year Ended December 31, 2019

(Unaudited)

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Umoja Operation Compassion Society

We have reviewed the accompanying financial statements of Umoja Operation Compassion Society (the "Society") that comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 (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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

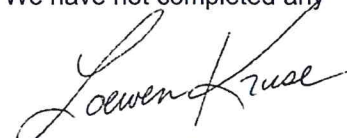
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Umoja Operation Compassion Society as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

Other Matter

The comparative December 31, 2018 figures were reviewed by another Chartered Professional Accountant who expressed an unqualified conclusion on those statements on May 28, 2019. Our review work was limited to the current year's balances and transactions as required. We have not completed any review work on the comparative figures.

Burnaby, British Columbia
May 6, 2020



Chartered Professional Accountants

UMOJA OPERATION COMPASSION SOCIETY**Statement of Financial Position****December 31, 2019***(Unaudited)*

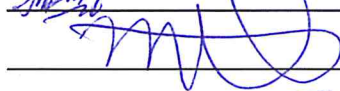
	2019	2018
ASSETS		
CURRENT		
Cash	\$ 41,823	\$ 49,029
Accounts receivable (Note 3)	27,542	23,864
Recoverable from government authorities - GST	3,544	3,547
Prepaid expenses	4,272	3,835
	77,181	80,275
CAPITAL ASSETS (Note 4)	23,770	26,768
SECURITY DEPOSITS	5,282	5,282
	<u>\$ 106,233</u>	<u>\$ 112,325</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 8,580	\$ 10,093
Deferred contributions (Note 6)	96,546	65,100
	105,126	75,193
DEFERRED CONTRIBUTIONS RELATED TO VEHICLE (Note 7)	9,675	11,266
	114,801	86,459
NET ASSETS (DEFICIT) - page 3		
Unrestricted	(8,568)	25,866
	<u>\$ 106,233</u>	<u>\$ 112,325</u>

LEASE COMMITMENTS (Note 9)

ON BEHALF OF THE BOARD



Director



Director

UMOJA OPERATION COMPASSION SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2019

(Unaudited)

	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 25,866	\$ 15,295
Excess (deficiency) of revenue over expenses - page 4	<u>(34,434)</u>	<u>10,571</u>
NET ASSETS (DEFICIT) - END OF YEAR - page 2	<u>\$ (8,568)</u>	<u>\$ 25,866</u>

UMOJA OPERATION COMPASSION SOCIETY**Statement of Operations****Year Ended December 31, 2019***(Unaudited)*

	2019	2018 (Note 11)
REVENUE		
Grants and contracts	\$ 234,784	\$ 227,651
Government grants - provincial (Note 8)	111,686	128,428
Contributions	86,298	108,955
Government grants - federal (Note 8)	37,653	11,168
Fundraising	36,463	20,744
Rental income	7,357	6,682
Deferred contribution related to vehicle	1,591	1,591
Membership dues	300	-
Interest income	97	129
	<u>516,229</u>	<u>505,348</u>
EXPENSES		
Salaries and wages	297,536	250,572
Rent	70,107	72,434
Uganda project	64,706	90,739
Contract services	27,978	14,096
Office	21,357	13,451
Refugee sponsorship	10,000	-
Fundraising	7,504	6,669
Scholarships	7,381	4,828
Transportation	6,019	5,383
Insurance	5,717	6,217
Food and beverage	5,486	3,919
Printing and photocopying	5,449	5,459
Bad debts	5,413	-
Amortization	4,874	4,673
Communication	4,581	6,462
Professional fees	3,391	4,726
Field trips and outings	2,698	4,509
Interest and bank charges	466	640
	<u>550,663</u>	<u>494,777</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - page 3	\$ (34,434)	\$ 10,571

UMOJA OPERATION COMPASSION SOCIETY**Statement of Cash Flows****Year Ended December 31, 2019***(Unaudited)*

	2019	2018
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses - page 4	\$ (34,434)	\$ 10,571
Items not affecting cash:		
Deferred contribution related to vehicle	(1,591)	(1,591)
Amortization	4,874	4,673
	<u>(31,151)</u>	<u>13,653</u>
Changes in non-cash working capital:		
Accounts receivable	(3,678)	(1,448)
Recoverable from government authorities - GST	3	(2,495)
Prepaid expenses	(437)	(2,766)
Accounts payable and accrued liabilities	(1,513)	2,134
Payable to government authorities - payroll deductions	-	(3,459)
Deferred contributions	31,446	7,128
	<u>25,821</u>	<u>(906)</u>
Cash flow from (used by) operating activities	<u>(5,330)</u>	<u>12,747</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(1,876)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(7,206)	12,747
Cash and cash equivalents - beginning of year	<u>49,029</u>	<u>36,282</u>
CASH - END OF YEAR	\$ 41,823	\$ 49,029
CASH CONSISTS OF:		
Externally restricted cash	<u>\$ 41,823</u>	<u>\$ 49,029</u>

UMOJA OPERATION COMPASSION SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

(Unaudited)

1. DESCRIPTION OF BUSINESS

Umoja Operation Compassion Society (the "Society") is an organization whose mission is to help promote unity, respect, and dignity among low income minority immigrants and refugees living in the Greater Vancouver area. The Society is incorporated under the Societies Act of British Columbia and is a registered charity under the Income Tax Act and as such is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Externally restricted contributions, grants and contracts are recognized as revenue in the year in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor. Contributions externally restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets' amortization.

Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Grants are recognized as revenue when there is reasonable assurance that the Society has complied with and will continue to comply with, all the necessary conditions to obtain the grants. If the funds are not spent, they may be repayable to the funder depending on the agreement. As at December 31, 2019, no amounts were repayable.

Fundraising revenue is recognized when the funds are collected at the event.

Cash and cash equivalents

Any term deposits or similar contractual instruments that are cashable and have a maturity term of three months or less are classified as cash equivalents.

Contributed services and materials

Volunteers assist the Society in carrying out its programs. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed materials or gifts-in-kind are only recognized when their fair value is reasonably determinable and significant, with such items recorded at fair value on the date of the contribution. During the year the Society did not receive any non-cash gifts-in-kind.

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UMOJA OPERATION COMPASSION SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets contributed are recorded at the fair value as of the date of receipt. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

Vehicles	10 years
Computers	3 years
Furniture and equipment	5 years

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

In accordance with Handbook Section 4433 Tangible Capital Assets Held by Not-for-Profit Organizations, the Society has changed its accounting policy with respect to capital assets, specifically adopting componentization whereby significant, separable component parts are allocated when practicable. Due to the nature and composition of the Society's capital assets, no adjustments were required to the current or prior years' figures.

3. ACCOUNTS RECEIVABLE

The balance of accounts receivable is the expected net recoverable amount and has been reduced for impairments as follows:

	2019	2018
Actual amount of receivable	\$ 32,955	\$ 23,864
Allowance for doubtful accounts	(5,413)	-
	<u>\$ 27,542</u>	<u>\$ 23,864</u>

The impairment for accounts receivable has been recorded in bad debts expense on the Statement of Operations.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Vehicles	\$ 35,967	\$ 14,087	\$ 21,880	\$ 25,477
Computers	4,567	2,984	1,583	833
Furniture and equipment	10,179	9,872	307	458
	<u>\$ 50,713</u>	<u>\$ 26,943</u>	<u>\$ 23,770</u>	<u>\$ 26,768</u>

UMOJA OPERATION COMPASSION SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

(Unaudited)

5. CREDIT FACILITY

The Society has a credit facility with Vancouver City Savings Credit Union ("the Lender"), which includes an approved operating line that can be drawn upon to a maximum of \$20,000, which bears interest at prime plus 1.50% per annum and is secured by a General Security Agreement against all assets owned by the Society. At the Statement of Financial Position date, the amount owing, which is due on demand, was \$NIL (2019: \$NIL) leaving the full \$20,000 available for use. Under the terms of the facility, the Society is required to maintain a debt service coverage ratio of 1:1. As at December 31, 2019, the Society was in compliance with all covenants.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted contributions, grants and contracts for various projects. These amounts are recognized as revenue in the year in which the related expenses are incurred.

	Opening balance	Amounts received	Recognized as revenue	Closing balance
United Way - 6 to 12	\$ -	\$ 90,000	\$ 60,000	\$ 30,000
Chippendale Foundation	12,500	25,000	25,000	12,500
British Columbia Gaming	1,819	89,000	78,595	12,224
United Way - Dad's Outreach	11,171	41,000	41,921	10,250
BC Ministry of Children & Family	8,139	33,270	33,091	8,318
Support of Uganda School	8,052	-	1,224	6,828
First West Foundation	8,333	15,000	15,000	8,333
Kenny Foundation	3,750	15,000	15,000	3,750
Telus Foundation	-	10,000	7,500	2,500
Scholarships	401	3,405	2,815	991
Sponsorship of Burundi Families	852	-	-	852
United Way - Success by 6	6,750	-	6,750	-
Coast Capital	3,333	-	3,333	-
	<u>\$ 65,100</u>	<u>\$ 321,675</u>	<u>\$ 290,229</u>	<u>\$ 96,546</u>

7. DEFERRED CONTRIBUTION RELATED TO VEHICLE

Deferred contribution related to vehicle represents an externally restricted contribution that has been used to purchase a vehicle. These contributions are amortized at the same rate as the underlying asset.

	2019	2018
Balance - beginning of year	\$ 11,266	\$ 12,857
Less: amortized to revenue	(1,591)	(1,591)
	<u>\$ 9,675</u>	<u>\$ 11,266</u>

UMOJA OPERATION COMPASSION SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

(Unaudited)

8. GOVERNMENT GRANTS

	2019	2018
<u>Federal</u>		
Immigration, Refugees and Citizenship Canada	\$ 31,471	\$ -
Employment and Social Development Canada	6,182	11,168
	<u>\$ 37,653</u>	<u>\$ 11,168</u>
<u>Provincial</u>		
BC Gaming Commission	\$ 78,595	\$ 95,910
Ministry of Children and Family Development	33,091	32,518
	<u>\$ 111,686</u>	<u>\$ 128,428</u>

9. LEASE COMMITMENTS

The Society has two leases with respect to its office space and one lease for a photocopier. The leases for office space contains renewal options that extend the terms of both leases to January 31, 2026. They also provide for payment of utilities, property taxes and maintenance costs. Future minimum lease payments including both renewal terms as at year end are as follows:

2020	\$ 61,533
2021	58,327
2022	57,259
2023	57,259
2024	57,259
Thereafter	62,030
	<u>\$ 353,667</u>

10. FINANCIAL INSTRUMENTS

All financial instruments are initially recorded at their fair market value. Publicly traded equity instruments quoted in an active market are subsequently measured at fair value with any unrealized gains or losses and transaction costs recognized in net excess of revenue over expenses. All other financial instruments are adjusted for any transaction costs incurred on acquisition and are subsequently measured at their amortized cost. Financial instrument impairments and impairment reversals are recognized when incurred in net excess of revenue over expenses.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk for its accounts receivable. Exposures to credit risk and significant changes to the risk exposure from the prior year are as follows:

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UMOJA OPERATION COMPASSION SOCIETY

Notes to Financial Statements

Year Ended December 31, 2019

(Unaudited)

10. FINANCIAL INSTRUMENTS *(continued)*

- Accounts receivable are non-interest bearing and are generally due within 30 to 60 days of the invoice date. Management evaluates the credit worthiness of its partners and regularly reviews accounts receivable for possible impairments related to collection. The amount of accounts receivable outstanding over 90 days has increased from the prior year, resulting in an increase in credit risk exposure.

Concentrations of credit risk include:

- 73% of the accounts receivable is due from one entity, resulting in increased risk to the Society as the risk of collection is dependent on that entity's ability to pay.
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11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Specifically, the revenue groupings have been changed to match the new presentation format of the Statement of Operations.
