

Adoption Council of Ontario

Financial Statements

For the year ended March 31, 2021



Independent Auditor's Report

To the Directors of Adoption Council of Ontario

Qualified Opinion

I have audited the financial statements of Adoption Council of Ontario ("the ACO") which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in net assets, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my 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 ACO as at March 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Not-for-Profit Organizations (ASNPOs).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the ACO derives revenue from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly my verification of these revenues was limited to the amounts recorded in the records of the ACO and I was not able to determine whether any adjustments might be necessary to donation or fundraising revenue, excess of revenue over expenditures and cash flows from operations for the year ended March 31, 2021, current assets and net assets as at March 31, 2021.

I conducted my audit in accordance Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the ACO in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 ASNPOs, 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 ACO'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 ACO or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located in the attached Appendix to the Auditor's Report. This description forms part of my auditor's report.

Edmonds Professional Corporation

Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario
Toronto, Canada
September 15, 2021

Appendix to the Auditor's Report

As part of an audit in accordance with CASs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 ACO'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 ACO's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the ACO to cease to continue as a going concern.

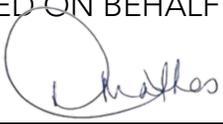
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Adoption Council of Ontario
Statement of Financial Position
As at March 31,

	2021	2020
Assets		
Current		
Cash	\$ 587,182	\$ 110,110
Amounts receivable	215,200	136,753
Prepaid expenses (Note 3)	1,016	28,070
	803,398	274,933
Equipment (Note 4)	5,973	12,702
	809,371	287,635
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	658,416	257,686
Deferred revenue (Note 6)	36,546	33,140
	694,962	290,826
Long term government loan (Note 9)	40,000	-
	734,962	290,826
Net assets (deficiency)	74,409	(3,191)
	\$ 809,371	\$ 287,635

Contingent liability (Note 10)

APPROVED ON BEHALF OF THE BOARD:


_____, Director


_____, Director

DRAFT AS OF AUGUST 20, 2021 - FOR MANAGEMENT
DISCUSSION ONLY AND SUBJECT TO CHANGE

Adoption Council of Ontario
Statement of Operations and Changes in Net Assets
For the year ended March 31,

	2021	2020
Revenue		
Dedicated funding		
Ministry of Children and Youth Services	\$2,299,227	\$ 1,129,211
Trillium Foundation Assistance	-	4,715
Donations	172,755	197,604
Education and information sessions	55,518	67,709
Fundraising	25,980	29,288
	<u>2,553,480</u>	<u>1,428,527</u>
Expenses		
General, training and office	456,413	344,200
Promotional materials	17,423	15,575
Rent	27,694	72,192
Salaries and consulting	1,062,339	794,567
Travel and meetings	2,545	1,705
Website hosting and maintenance	883,737	127,995
Amortization	6,729	7,828
	<u>2,456,880</u>	<u>1,364,062</u>
Earnings before impairment of assets	96,600	64,465
Loss on impairment of assets	19,000	-
Excess of revenue over expenditures for the year	77,600	64,465
Net deficiency, beginning of year	(3,191)	(67,656)
Net assets (deficit), end of year	\$ 74,409	\$ (3,191)

Adoption Council of Ontario
Statement of Cash Flows
For the year ended March 31,

	2021	2020
Cash provided by (used in)		
Operations		
Excess of revenue over expenditures for the year	\$ 77,600	\$ 64,465
Items not affecting cash		
Amortization	6,729	7,828
Impairment of assets	19,000	-
	103,329	72,293
Net changes in non-cash working capital		
Amounts receivable	(78,447)	(3,859)
Prepaid expenses	8,054	390
Accounts payable and accrued liabilities	400,730	21,010
Deferred revenue	3,406	(9,293)
	437,072	80,541
Investing		
Purchase of equipment	-	(12,584)
Proceeds of disposition of equipment	-	3,051
	-	(9,533)
Financing		
Receipt of government loan (Note 9)	40,000	-
Net change in cash	477,072	71,008
Cash, beginning of year	110,110	39,102
Cash, end of year	\$ 587,182	\$ 110,110

1. NATURE OF THE ORGANIZATION

Adoption Council of Ontario ("the ACO") was founded in 1987 and incorporated in 1991 as a not-for-profit corporation. Its mission is to educate, support, connect and advocate on behalf of those touched by adoption in Ontario by providing information, programs and resources. The ACO is a registered charity for tax purposes and consequently is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the ACO.

Revenue Recognition

The ACO uses the deferral method of accounting for contributions. Restricted contributions are deferred and recognized into revenue when related expenses are incurred. Pledges are recognized as revenue when the amount or value of the pledge is reasonably estimated and collection is reasonably assured. Government grants are recorded when there is a reasonable assurance that the ACO has complied with and will continue to comply with all the necessary conditions of the grant. Education and information session fees are recognized as revenue when related services are completed. Donations and fundraising revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions in kind are recorded at fair value on receipt, with the exception of donated services. The ACO does not record the value of donated services.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the year. Actual results could differ from those estimates.

Equipment

Equipment is recorded at cost less accumulated amortization. Contributed equipment is recorded at the fair value at the date of the gift. When equipment no longer contributes to the ACO's ability to provide services, its carrying amount is written down to its residual value.

Adoption Council of Ontario
Notes to the Financial Statements
For the year ended March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Equipment (Cont'd)

The ACO amortizes its equipment on the diminishing balance method at the following rates per annum:

Computers	55%
Office equipment	20%
Website	30%

Financial Instruments

The ACO initially measures its financial assets and liabilities at fair value. The ACO subsequently measures its financial assets and financial liabilities at amortized cost.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in the excess of revenue over expenditures. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenue over expenditures.

3. DONATED ARTWORK HOLDINGS

During 2021, management has determined that artwork valued at \$19,000 has no open active market for resell and has therefore written its value down to \$0. As such a loss on the disposition of assets totaling \$19,000 has been reported by the ACO.

4. EQUIPMENT

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Computers	\$ 53,590	\$ 48,274	\$ 5,316	\$ 11,814
Office equipment	7,933	7,643	290	363
Website	7,504	7,137	367	525
	\$ 69,027	\$ 63,054	\$ 5,973	\$ 12,702

Adoption Council of Ontario
Notes to the Financial Statements
For the year ended March 31, 2021

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances of \$Nil (2020 - \$Nil).

6. DEFERRED REVENUE

Deferred revenue consists of contributions from The Zukerman Foundation for the Never Too Late for a Family project (2020 - The Zukerman Foundation and Ontario Trillium Foundation).

7. COMMITMENT

The ACO were committed to annual rental payments until June 30, 2020 for office space located at 36 Eglinton Avenue West under a lease agreement. In addition, the ACO was committed to pay its proportionate share of annual allocated operating expenses and taxes for the term of the lease.

Subsequent to the expiration of this lease and a one month holdover period the ACO moved their operations to a virtual environment and does not currently maintain office space. Minimum lease payments under the terms of the lease for the period of April 1, 2020 to June 30, 2020 was \$10,783.

8. ECONOMIC DEPENDENCE

For the year ended March 31, 2021, dedicated funding from the Ministry of Children and Youth Services ("MCYS") represented 90% (2020 - 79%) of the ACO's total revenue. An annual extension agreement for this funding has traditionally been approved by MCYS in August or September each year. In fiscal year 2021, approval was delayed until December 2020. MCYS has also traditionally continued to fund the ACO with regular monthly payments until the extension is formally announced. The agreement extending the funding for the fiscal year ending March 31, 2022 is expected to be signed in September 2021 and the ACO has continued to receive monthly funding subsequent to March 31, 2021. Without this funding, the ACO would have to reduce the size and scope of its operations significantly.

9. GOVERNMENT LOANS

During 2021, the ACO obtained a \$40,000 loan through the Canada Emergency Business Account. The loan is non-interest bearing until December 31, 2022. Repayment of \$30,000 on the outstanding balance on or before this date will result in loan forgiveness of \$10,000 (25%).

If not fully repaid by December 31, 2022, the government loan will be converted into a three-year term loan with an annual fixed interest rate of 5%. The outstanding balance must be repaid in full by December 31, 2025.

10. CONTINGENT LIABILITY

The ACO is contingently liable to return all or a portion of grants received for expenditures should it not use the grant funds as set out in the terms of the respective agreements. The amount of any such losses or repayments are not currently significant or determinable. In the event of repayment of a grant, the losses will be recorded if and when it becomes anticipated and determinable.