

DRAFT Financial Statements of
**TETRA SOCIETY OF
NORTH AMERICA**

And Independent Auditors' Report thereon

Year ended December 31, 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Tetra Society of North America

Qualified Opinion

We have audited the financial statements of Tetra Society of North America (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations for the year then ended
- the statement of changes in deficiency in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, 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 Entity derives revenue from fundraising activities and donations, 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets, deferred contributions and unrestricted deficiency in net assets reported in the statements of financial position as at December 31, 2021 and December 31, 2020
- the donation revenue and excess of revenue over expenses reported in the statements of operations for the years ended December 31, 2021 and December 31, 2020
- the unrestricted deficiency in net assets, at the beginning and end of the year, reported in the statement of changes in deficiency in net assets for the years ended December 31, 2021 and December 31, 2020
- the excess of revenue over expenses reported in the statements of cash flows for the years ended December 31, 2021 and December 31, 2020.

Our opinion on the financial statements as at and for the year ended December 31, 2020 was qualified 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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.

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

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

Auditors' 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 auditors' 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

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Chartered Professional Accountants

Vancouver, Canada

TETRA SOCIETY OF NORTH AMERICA

Statement of Financial Position

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December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 266,994	\$ 165,684
Restricted cash (community gaming) (note 3)	4,736	11,864
Accounts receivable	42,684	53,016
Prepaid expenses	14,593	-
Due from related party (note 6)	40,000	-
	<u>369,007</u>	<u>230,564</u>
Deposits	6,593	6,593
Capital assets (note 4)	12,095	17,062
	<u>\$ 387,695</u>	<u>\$ 254,219</u>

Liabilities and Deficiency in Net Assets

Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 29,458	\$ 8,797
Due to related party (note 6)	49,900	49,900
Deferred contributions (note 7)	240,115	170,018
	<u>319,473</u>	<u>228,715</u>
Deferred capital contributions (note 8)	10,765	15,378
Canada Emergency Business Account loan (note 9)	37,470	35,115
	<u>367,708</u>	<u>279,208</u>
Deficiency in net assets:		
Unrestricted	18,657	(26,673)
Invested in capital assets (note 10(a))	1,330	1,684
	<u>19,987</u>	<u>(24,989)</u>
Economic dependence (note 13)		
	<u>\$ 387,695</u>	<u>\$ 254,219</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

TETRA SOCIETY OF NORTH AMERICA

Statement of Operations

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Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Donations (note 12)	\$ 216,249	\$ 203,247
Community gaming grant (note 7)	102,128	83,347
Government grants	336,528	572,125
Other income	6,366	5,280
Amortization of deferred capital contributions (note 8)	4,613	5,448
Other government funding (note 11)	58,236	33,895
	<u>724,120</u>	<u>903,342</u>
Expenses (note 12):		
Advertising	(1,414)	107,811
Amortization	4,967	5,448
Bank charges	4,483	2,887
Contractors and coordinators	200,817	285,277
Insurance	7,412	6,961
Office	25,663	17,086
Professional fees	22,353	32,330
Program expenses	38,046	56,678
Rent	22,685	37,008
Salaries and benefits	328,340	319,532
Technology	10,806	11,112
Telephone	5,716	5,119
Travel	9,270	15,380
	<u>679,144</u>	<u>902,629</u>
Excess of revenue over expenses	<u>\$ 44,976</u>	<u>\$ 713</u>

See accompanying notes to financial statements.

TETRA SOCIETY OF NORTH AMERICA

Statement of Changes In Deficiency In Net Assets

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Year ended December 31, 2021, with comparative information for 2020

	Invested in capital assets (note 10)	Unrestricted	Total 2021	Total 2020
Balance, beginning of year	\$ 1,684	\$ (26,673)	\$ (24,989)	\$ (25,702)
Excess (deficiency) of revenue over expenses	(354)	45,330	44,976	713
Balance, end of year	\$ 1,330	\$ 18,657	\$ 19,987	\$ (24,989)

See accompanying notes to financial statements.

TETRA SOCIETY OF NORTH AMERICA

Statement of Cash Flows

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Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 44,976	\$ 713
Items not involving cash		
Amortization	4,967	5,448
Amortization of deferred capital contributions	(4,613)	(5,448)
Interest on Canada Emergency Business Account loan	2,355	1,235
Deferred assistance recognized on Canada Emergency Business Account loan	(2,355)	(1,235)
	45,330	713
Changes in non-cash operating working capital		
Restricted cash (community gaming)	7,128	(11,653)
Accounts receivable	10,332	(47,771)
Prepaid expenses	(14,593)	-
Due from related party	(40,000)	-
Accounts payable and accrued liabilities	20,661	5,457
Due to related party	-	39,000
Deferred contributions	72,452	37,093
	101,310	22,839
Financing:		
Receipt of capital contributions	-	7,214
Proceeds from Canadian Emergency Business Loan Account	-	40,000
	-	47,214
Investments:		
Purchase of capital assets	-	(7,214)
Increase in cash	101,310	62,839
Cash, beginning of year	165,684	102,845
Cash, end of year	\$ 266,994	\$ 165,684
Non-cash financing transaction:financing transaction:		
Capital assets financed with capital contributions	\$ -	\$ 7,214

See accompanying notes to financial statements.

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements

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Year ended December 31, 2021

1. Nature of operations:

Tetra Society of North America (the "Society") was incorporated under the Canada Corporations Act on July 14, 1994. The Society is a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The purpose of the Society is to recruit skilled volunteers to create customized assistive devices for people with physical disabilities across Canada. Its assistive device projects tackle barriers to mobility, personal care and communications with a primary goal to improve the quality of life for people with physical disabilities.

Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial market impact globally, domestically, and locally on jurisdictions and market sections in which the Society operates.

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate on the financial effect on the Society is not practicable at this time. The situation presents uncertainty over future cash flows, may cause significant changes to the assets and liabilities, and may have an impact on future operations. The Society continues to closely monitor the impact of its financial implications and will be adjusting its operations as required to enhance continuity of operations.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the CPA Canada Handbook - Accounting and include the significant accounting policies described hereafter:

(a) Revenue recognition:

The Society follows the deferral method of accounting for contributions. Contributions include donations, community gaming grant, and government grants. Restricted non-capital contributions are initially deferred and then recognized as revenue in the period in which the related expenses are incurred.

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements (continued)

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Year ended December 31, 2021

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Contributions restricted for the purchase of capital assets are initially recorded as deferred contributions and transferred to and recorded as deferred capital contributions when the amounts have been spent on capital assets. Deferred capital contributions, including contributed capital assets, are amortized to revenue on the same basis as the related capital assets are amortized.

Government assistance in the form of a forgivable loan is accounted for in the same manner as a grant.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received is reasonably assured.

(b) Capital assets:

Capital assets are initially recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. The Society reviews the carrying amount of capital assets for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Society's ability to provide services, or that the value of future economic benefits or service potential associated with the asset is less than its carrying amount. If such conditions exist, an impairment loss is measured and recorded in the statement operations at the amount by which the carrying amount of the net asset exceeds its fair value or replacement cost.

Capital assets are amortized on a straight line basis using the following annual rates:

Asset	Rate
Computer equipment	30%
Furniture and fixtures	30%

(c) Contributed materials and services:

The Society recognizes contributions of goods, services or gifts in kind when a fair value can be reasonably estimated and the goods or services are used in the normal course of the Society's operations and would otherwise have been purchased.

The fair value of volunteer hours and services is not recognized as they cannot be reasonably estimated.

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements (continued)

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Year ended December 31, 2021

2. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of financial statements 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 amounts of revenue and expenses during the year. Actual results could differ from these estimates.

(e) Allocation of expenses:

The Society shares office space and certain administrative resources with other affiliated charitable entities.

Common shared costs, such as fundraising expenses, administration, program expenses office, rent and telephone expenses are allocated and charged to the respective affiliated charitable entities, including the Society, based on an allocation of estimated full-time equivalent employee workload attributable to each affiliated charitable entity.

Certain salaries and benefits are allocated and charged as a management fee to the respective affiliated charitable entities, including the Society, based on an allocation of estimated full-time equivalent employee workload attributable to each affiliated charitable entity.

Such allocations are reviewed regularly by management.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements (continued)

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Year ended December 31, 2021

3. Restricted cash (community gaming):

Restricted cash (community gaming) relates to cash held in a separate bank account for unexpended gaming receipts which are restricted in their use by license applications.

4. Capital assets:

				2021	2020
	Cost	Accumulated amortization		Net book value	Net book value
Fixtures and fittings	\$ 24,316	\$ 24,316	\$	- \$	-
Computer equipment	50,369	38,274		12,095	17,062
	\$ 74,685	\$ 62,590	\$	12,095 \$	17,062

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$36 (2020 - \$76) for payroll related taxes.

6. Due from/to related party:

The Society is affiliated with various charitable entities through common management. Each of these affiliated charitable entities has a separate and independent Board of Directors.

The amounts due from and to related party are both with Sam Sullivan Disability Foundation ("SSDF"), an affiliated charitable entity, and are non-interest bearing, unsecured, and payable on demand. The balances are not intended to be settled on a net basis.

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements (continued)

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Year ended December 31, 2021

7. Deferred contributions:

Deferred contributions are comprised primarily of community gaming funds, government grants and funds received for restricted purposes.

	Gaming (note 3)	Government grants	Other	Total 2021	Total 2020
Balance, beginning of year	\$ 11,864	\$ 85,689	\$ 72,465	\$ 170,018	\$ 128,040
Amounts received during the year	95,000	166,666	235,737	497,403	703,604
Amounts receivable	-	-	-	-	51,553
Amounts recognized as revenue in the year	(102,128)	(216,985)	(108,193)	(427,306)	(705,965)
Amounts spent on capital assets and transferred to deferred capital contributions (note 8)	-	-	-	-	(7,214)
Balance, end of year	\$ 4,736	\$ 35,370	\$ 200,009	\$ 240,115	\$ 170,018

8. Deferred capital contributions:

The Society receives grants and contributions towards certain equipment. Changes in deferred capital contributions are as follows:

	2021	2020
Balance, beginning of year	\$ 15,378	\$ 13,612
Restricted capital contributions spent during the year (note 7)	-	7,214
Amounts recognized as revenue during the year	(4,613)	(5,448)
Balance, end of year	\$ 10,765	\$ 15,378

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements (continued)

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Year ended December 31, 2021

9. Canada Emergency Business Account loan:

During the year ended December 31, 2020, the Society received a Canada Emergency Business Account (“CEBA”) loan of \$60,000 from Bank of Montreal.

Up to \$20,000 of the CEBA loan will be forgiven provided the outstanding balance is paid on or before December 31, 2022. As the Society intends to repay the loan before December 31, 2022 the \$20,000 that will be forgiven is deemed to be government assistance and has been recognized in other government funding in the statement of operations.

The remaining \$40,000 of the CEBA loan carries 0% interest and no minimum monthly principal payments are required. This portion of the CEBA loan is initially measured at fair value, discounted at a market rate of interest, of \$33,880 and subsequently measured at amortized cost. The benefit of the CEBA loan at below-market interest rate is accounted for as deferred government assistance and initially measured at \$6,120, and subsequently recognized with the related interest expense.

During the year ended December 31, 2021, interest expense on the CEBA loan was \$2,355 (2020 - \$1,235) , with corresponding recognition of other government funding of \$2,355 (2020 - \$1,235). As at December 31, 2021, the carrying value of the CEBA loan is \$37,740 (2020 - \$35,115) and the remaining deferred government assistance benefit is \$2,530 (2020 - \$4,885) is included in other deferred contributions.

10. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2021	2020
Capital assets	\$ 12,095	\$ 17,062
Amounts financed by deferred capital contributions (note 8)	(10,765)	(15,378)
	\$ 1,330	\$ 1,684

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements (continued)

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Year ended December 31, 2021

10. Invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Excess (deficiency) of revenue over expenses		
Amortization of deferred capital contributions	\$ 4,613	\$ 5,448
Amortization of capital assets	(4,967)	(5,448)
	(354)	-
Net change in invested in capital assets		
Purchase of capital assets	-	7,214
Amounts financed by deferred capital contributions	-	(7,214)
	-	-
	\$ (354)	\$ -

11. Other government funding:

	2021	2020
Canada Emergency Wage Subsidy (a)	\$ 51,789	\$ 12,660
Canada Emergency Business Account (note 9)	2,355	21,235
Canada Emergency Rent Subsidy (a)	3,815	-
Canada Recovery Hiring Program (b)	277	-
	\$ 58,236	\$ 33,895

(a) Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy ("CEWS") and Canadian Emergency Rent Subsidy ("CERS") to assist organizations who experienced a drop in revenue based on certain eligibility criteria. During the year ended December 31, 2021, government assistance for CEWS of \$51,789 (2020 - \$12,660) and CERS of \$3,815 (2020 - nil) was recognized as other government funding in the statement of operations.

(b) Due to the COVID-19 pandemic, the Canadian government introduced the Canada Recovery Hiring Program ("CRHP") to assist organizations in hiring new employees and increasing existing employees' wages or hours. During the year ended December 31, 2021, \$277 (2020 - nil) for CRHP was recognized as other government funding in the statement of operations.

TETRA SOCIETY OF NORTH AMERICA

Notes to Financial Statements (continued)

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Year ended December 31, 2021

12. Related party transactions:

During the year ended December 31, 2021, the Society received funding of \$52,988 (2020 - \$57,51) from SSDF which is recorded in donations revenue. In addition, the Society incurred expenses for management fees paid to SSDF of \$67,116 (2020 - \$85,503), which is recorded in salaries and benefits expense, and shared expenses of \$40,608 (2020 - \$58,641) which is recorded in their respective expense accounts. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Economic dependence:

The Society is economically dependent on funding arrangements with the SSDF. The Society relies on the SSDF for additional funding when there are funding shortfalls or cash flow issues.

14. Financial risks and concentration of risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligation on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating and cash flow requirements. There have been changes to the risk exposures from 2020 (note 13).

In management's opinion, the Society is not exposed to significant interest rate, credit, currency or other price risks related to its financial instruments.