

Sexuality Education Resource Centre Manitoba, Inc.
Financial Statements
March 31, 2020

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Independent Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

Opinion

We have audited the accompanying financial statements of Sexuality Education Resource Centre Manitoba, Inc. (the "Organization"), which comprise the statement of financial position as at March 31, 2020 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 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 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 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.

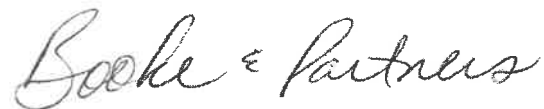
Auditors' Responsibilities for the Audit of the Financial Statements

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 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:

Independent Auditors' Report - continued

- 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 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 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.

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.



Winnipeg, Canada
May 25, 2020

Chartered Professional Accountants

Sexuality Education Resource Centre Manitoba, Inc.
Statements of Operations

Year Ended March 31	2020	2019
Revenues (Page 13)	\$ 3,360,703	\$ 2,617,370
Expenditures (Page 13)	<u>3,477,824</u>	<u>2,666,573</u>
Deficiency of revenues over expenditures from operations	(117,121)	(49,203)
Pre-retirement leave (Note 7)	<u>11,204</u>	<u>(1,881)</u>
Deficiency of revenues over expenditures	<u>\$ (105,917)</u>	<u>\$ (51,084)</u>

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Net Assets

Year Ended March 31

	<u>Unrestricted</u>	<u>Donation Fund</u>	<u>Internally Restricted</u>	<u>2020</u>	<u>2019</u>
Net assets (deficiency), beginning of year	\$ (45,155)	\$ 218,573	\$ 168,615	\$ 342,033	\$ 393,117
Deficiency of revenues over expenditures	(105,917)	-	-	(105,917)	(51,084)
Transfers (Note 9)	<u>128,343</u>	<u>(128,343)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets (deficiency), end of year	<u>\$ (22,729)</u>	<u>\$ 90,230</u>	<u>\$ 168,615</u>	<u>\$ 236,116</u>	<u>\$ 342,033</u>

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31 2020 2019

Assets

Current

Cash	\$ 571,991	\$ 558,245
Receivables (Note 3)	576,026	691,722
Prepays	<u>20,343</u>	<u>16,172</u>
	1,168,360	1,266,139
Pre-retirement leave receivable from Winnipeg Regional Health Authority (Note 7)	12,034	45,101
Capital assets (Note 4)	<u>81,614</u>	<u>82,729</u>
	<u>\$ 1,262,008</u>	<u>\$ 1,393,969</u>

Liabilities

Current

Payables and accruals (Note 5)	\$ 528,040	\$ 474,022
Deferred revenue (Note 6)	<u>433,646</u>	<u>468,340</u>
	961,686	942,362
Pre-retirement leave (Note 7)	52,945	97,216
Deferred contributions related to capital assets (Note 8)	<u>11,261</u>	<u>12,358</u>
	<u>1,025,892</u>	<u>1,051,936</u>

Net Assets (Deficiency)

Unrestricted	(22,729)	(45,155)
Donation Fund	90,230	218,573
Internally restricted	<u>168,615</u>	<u>168,615</u>
	<u>236,116</u>	<u>342,033</u>
	<u>\$ 1,262,008</u>	<u>\$ 1,393,969</u>

Commitments (Note 10)

Approved by the Board

Original Document Signed _____ Director

Original Document Signed _____ Director

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Cash Flows

March 31	2020	2019
Cash flows from operating activities		
Cash received from:		
Winnipeg Regional Health Authority	\$ 1,105,399	\$ 1,115,729
Northern Manitoba Regional Health Authority	135,067	28,832
Interlake Regional Health Authority	26,178	20,923
Prairie Mountain Regional Health Authority	82,916	54,297
Province of Manitoba	234,200	234,200
Government of Canada	1,088,838	718,124
United Way	133,486	132,212
Foundations	21,833	25,833
Donations	1,650	1,710
Interest	7,215	9,949
Other sources	622,516	102,169
Cash paid for:		
Human resources and benefits	(2,591,526)	(1,895,143)
Materials and services	(833,104)	(727,929)
Interest	(272)	(488)
Net cash generated from (used in) operating activities	<u>34,396</u>	<u>(179,582)</u>
Cash flows used in financing and investing activities		
Purchase of capital assets	<u>(20,650)</u>	<u>(7,033)</u>
Net increase (decrease) in cash	13,746	(186,615)
Cash, beginning of year	<u>558,245</u>	<u>744,860</u>
Cash, end of year	<u>\$ 571,991</u>	<u>\$ 558,245</u>

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.

Notes to the Financial Statements

March 31, 2020

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. (the Organization) is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The Organization is an incorporated not-for-profit organization and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

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

a) Fund accounting

The Unrestricted Fund reports all revenues and expenses related to program delivery and administrative activities. The Unrestricted Fund reports the assets, liabilities, revenues and expenses related to the Organization's activities.

The Internally Restricted Fund represents funds designated by the Board of Directors for the purpose of website development and future operations.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions, consisting of grants, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at annual rates estimated to write off the assets over their estimated useful lives as follows:

Computers	20% Declining balance
Furniture and equipment	20% Declining balance
Leasehold improvements	Over the life of the lease

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2020

2. Summary of significant accounting policies - continued

d) Allocation of expenses

The Organization classifies its expenses by program and allocates its salaries and benefits expense to a number of programs to which the expenses relate. Salaries and benefits expense has been allocated based on the number of hours incurred directly in the undertaking of the programs.

e) Pre-retirement leave benefits

The cost of the Organization's employee pre-retirement leave benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions used in measuring the Organization's future employee benefit payable include retirement, termination and mortality rates, a discount rate of 3.5% (2019 - 3.1%), a rate of salary increase of 3.5% (2019 - 3.5%) plus an age-related merit/promotion scale with provision for disability.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. Financial instruments are initially recorded at fair value with subsequent reporting at amortized cost.

It is management's opinion that the Organization is not exposed to significant credit, currency, interest rate, liquidity, market, or price risks arising from its financial instruments.

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2020

3. Receivables

	<u>2020</u>	<u>2019</u>
Winnipeg Regional Health Authority	\$ 56,408	\$ 7,654
Grants	404,232	552,573
GST	9,296	23,915
Other	<u>106,090</u>	<u>107,580</u>
	<u>\$ 576,026</u>	<u>\$ 691,722</u>

4. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>
Winnipeg			
Computers	\$ 86,760	\$ 47,245	\$ 39,515
Furniture and equipment	136,163	107,965	28,198
Leasehold improvements	13,010	7,253	5,757
Brandon			
Computers	13,706	11,413	2,293
Furniture and equipment	10,315	7,545	2,770
Leasehold improvements	<u>3,301</u>	<u>220</u>	<u>3,081</u>
	<u>\$ 263,255</u>	<u>\$ 181,641</u>	<u>\$ 81,614</u>

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>
Winnipeg			
Computers	\$ 74,796	\$ 37,366	\$ 37,430
Furniture and equipment	133,814	100,915	32,899
Leasehold improvements	13,010	6,386	6,624
Brandon			
Computers	11,085	10,840	245
Furniture and equipment	9,901	6,852	3,049
Leasehold improvements	<u>18,612</u>	<u>16,130</u>	<u>2,482</u>
	<u>\$ 261,218</u>	<u>\$ 178,489</u>	<u>\$ 82,729</u>

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
 March 31, 2020

5. Payables and accruals

	<u>2020</u>	<u>2019</u>
Vacation pay and salary accrual	\$ 177,745	\$ 205,167
Trade	350,174	244,214
Payable to Winnipeg Regional Health Authority	<u>121</u>	<u>24,641</u>
	<u>\$ 528,040</u>	<u>\$ 474,022</u>

6. Deferred revenue

Deferred revenue relates to restricted funding received in the current year that is related to the subsequent year.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 468,340	\$ 482,326
Less amount recognized as revenue in the year	(204,012)	(200,948)
Add amount received related to the following year	<u>169,318</u>	<u>186,962</u>
Balance, end of year	<u>\$ 433,646</u>	<u>\$ 468,340</u>

7. Pre-retirement leave benefits

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006, the Organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. Actual expenditures for pre-retirement payouts are recorded in operations.

Change in obligation	<u>2020</u>	<u>2019</u>
Opening balance	\$ 97,216	\$ 89,491
(Decrease) increase in obligation	<u>(44,271)</u>	<u>7,725</u>
	<u>\$ 52,945</u>	<u>\$ 97,216</u>
Pre-retirement leave		
Decrease (increase) in obligation	\$ 44,271	\$ (7,725)
(Decrease) increase in receivable	<u>(33,067)</u>	<u>5,844</u>
	<u>\$ 11,204</u>	<u>\$ (1,881)</u>

Sexuality Education Resource Centre Manitoba, Inc.
Notes to the Financial Statements
March 31, 2020

8. Deferred contributions related to capital assets

Deferred contributions related to property and equipment represent grants and contributions for computers, furniture and equipment and leasehold improvements. Deferred contributions are amortized on the schedule of operations. Amortization was provided in the current year for \$1,809 (2019 - \$1,096).

Included in deferred contributions related to capital assets is \$7,145 (2019 - \$7,460) from the WRHA.

9. Transfers

During the year, a transfer was made of \$128,343 (2019 - \$29,684) to unrestricted net assets from the Donation Fund.

10. Lease commitments

The Organization leases office space at 545 Broadway in Winnipeg, Manitoba. The lease is for one year and expires August 31, 2020. The monthly rental lease payment is \$2,900 plus GST.

The Organization leases office space at Unit 2 - 345 10th Street in Brandon, Manitoba. The lease is for five years and expires November 30, 2024. The monthly rental lease payment is \$2,350 plus GST.

The Organization leases office space at Suite 109, 55 Selkirk Avenue in Thompson, Manitoba. The lease is for two years and expires March 31, 2021. The monthly rental lease payment is \$5,940.

The Organization leases office space at 226 Osborne Street North in Winnipeg, Manitoba. The lease is for fifteen years and expires August 31, 2024. The annual rental lease payment is \$40,000, with annual increases of \$3,200.

The Winnipeg Regional Health Authority has committed to subsidize a portion of the 226 Osborne Street North lease starting in year two of the lease term in the amount of approximately \$4,000 per year, to be increased by 2% annually.

11. Pension

Effective January 1, 2008, the Organization adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the Plan). As part of the agreement, the Organization's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, \$161,184 (2019 - \$124,997) was expensed for the purpose of the Plan.

Pension contributions are included in employee benefits expense of the applicable programs.

Sexuality Education Resource Centre Manitoba, Inc.

Notes to the Financial Statements

March 31, 2020

12. Economic dependence

The volume of financial activity undertaken by the Organization with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

13. Discontinued operations

During the year end, it was announced that the Manitoba Harm Reduction Network program would no longer operate under the Organization. The operations will be transferred to a separate entity.

Sexuality Education Resource Centre Manitoba, Inc.
Schedule of Operations

Year Ended March 31

2020 2019

	General Operations	WRHA	KIA	Our Daughters	OFTA	(Note 13) Manitoba Harm Reduction Network	Justice	Total	Total
Revenues									
Grants									
Winnipeg Regional Health Authority									
Fixed payments	\$ -	\$ 1,078,803	\$ -	\$ -	\$ -	\$ 43,100	\$ -	\$ 1,121,903	\$ 1,084,346
Other funding	-	-	-	-	-	147	-	147	-
Capital grant (Note 8)	-	5,319	-	-	-	-	-	5,319	315
Government of Canada									
Health Canada	-	-	109,142	-	-	489,004	-	598,146	478,656
Canadian Institutes of Health Research	-	-	-	-	-	-	-	-	213,823
Canadian Immigration Citizenship	-	-	-	-	108,653	-	-	108,653	111,867
First Nations and Inuit Health	-	-	-	-	-	-	-	-	14,978
Justice Partnership and Innovation Program	-	-	-	-	-	-	277,498	277,498	-
Province of Manitoba									
Children and Youth Opportunities	-	-	-	-	-	40,200	-	40,200	40,200
Health, Seniors and Active Living	99,000	-	-	45,000	-	50,000	-	194,000	194,000
United Way									
Winnipeg (Note 8)	122,834	-	-	-	-	-	-	122,834	119,992
Brandon	10,833	-	-	-	-	-	-	10,833	13,000
Winnipeg Foundation	1,000	-	-	-	-	-	-	1,000	3,450
Canadian Women's Foundation	20,833	-	-	-	-	-	-	20,833	12,654
Foundation for Sexual Health	-	-	-	-	-	-	-	-	1,101
Jewish Foundation of Manitoba	-	-	-	-	-	-	-	-	6,863
Interlake Regional Health Authority	-	-	-	-	-	-	-	-	30,162
Northern Manitoba Regional Health Authority	-	-	-	-	-	121,482	-	121,482	42,417
Prarie Mountain Regional Health Authority	-	-	-	-	-	-	-	-	28,479
Donations	1,650	-	-	-	-	-	-	1,650	1,710
Fundraising	20,497	-	-	-	-	-	-	20,497	-
Interest	7,215	-	-	-	-	-	-	7,215	9,949
Administrative fee recoveries and other	132,014	-	-	-	-	574,790	1,689	708,493	209,408
Total revenues	415,876	1,084,122	109,142	45,000	108,653	1,318,723	279,187	3,360,703	2,617,370
Expenditures									
Salaries	129,758	784,204	77,714	27,664	73,556	749,844	81,593	1,924,333	1,497,135
Contract fees	583	-	5,825	7,994	680	30,374	157,295	202,751	73,161
Honoraria	618	-	4,670	2,720	-	55,225	-	63,233	48,353
Benefits (Note 11)	22,688	152,135	13,604	6,529	13,694	142,626	13,549	364,825	287,154
Amortization	-	19,282	-	-	-	-	-	19,282	22,995
Bank charges and interest	-	22	-	-	-	250	-	272	488
Evaluation	-	-	-	-	-	9,738	-	9,738	10,274
Fundraising	22,421	-	-	-	-	-	-	22,421	-
Insurance	-	2,431	-	-	-	5,084	-	7,515	4,832
Loss on disposal of capital assets	2,482	-	-	-	-	-	-	2,482	-
Membership and dues	3,717	-	-	-	-	3,101	-	6,818	4,664
Office supplies and services	77,863	20,438	2,220	176	1,419	50,459	3,089	155,664	127,841
Postage and delivery	1,266	2,229	-	-	-	1,184	-	4,679	2,796
Professional development	1,573	-	-	-	210	1,328	922	4,033	6,539
Professional fees	-	8,645	-	-	-	9,198	1,500	19,343	11,585
Program costs	76,553	8,321	4,413	767	18,790	110,795	15,850	235,489	187,512
Promotion	16,196	-	-	-	-	3,357	-	19,553	7,068
Occupancy	-	172,831	500	-	-	52,435	-	225,766	198,409
Other	-	3,964	-	-	-	-	-	3,964	3,715
Repairs and maintenance	-	45,418	-	-	-	2,551	-	47,969	38,617
Travel	11,667	6,692	196	(850)	304	74,060	500	92,569	85,021
Telephone	-	18,263	-	-	-	16,327	-	34,590	30,819
Website	-	9,748	-	-	-	787	-	10,535	17,595
Total expenditures	367,385	1,254,623	109,142	45,000	108,653	1,318,723	274,298	3,477,824	2,666,573
(Deficiency) excess of revenues over expenditures	\$ 48,491	\$ (170,501)	\$ -	\$ -	\$ -	\$ -	\$ 4,889	\$ (117,121)	\$ (49,203)

See accompanying notes to the financial statements.