
The British Columbia Lions Society
For Children with Disabilities
Consolidated Financial Statements
September 30, 2020



Independent Auditor's Report

To the Members of The British Columbia Lions Society For Children with Disabilities

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of The British Columbia Lions Society For Children with Disabilities (the "Society"), which comprise the consolidated statement of financial position as at September 30, 2020, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Society as at September 30, 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 Society 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 Society. 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 September 30, 2020 and 2019, current assets as at September 30, 2020 and 2019, and net assets as at October 1 and September 30 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended September 30, 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 Consolidated Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Society'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 Society'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 consolidated 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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Society to express an opinion on the consolidated 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.

Report on Other Legal and Regulatory Requirements

As required by the *Societies Act* (British Columbia), we report that, in our opinion, the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
December 14, 2020

Chartered Professional Accountants


The British Columbia Lions Society For Children with Disabilities

Consolidated Statement of Financial Position
September 30, 2020

	2020	2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	243,270	17,517
Accounts receivable (Note 18)	256,844	279,005
Prepaid expenses	<u>21,619</u>	<u>15,367</u>
	521,733	311,889
Investments (Note 3)	1,419,090	1,485,357
Capital assets (Note 4)	<u>2,117,218</u>	<u>2,049,852</u>
	4,058,041	3,847,098
Liabilities		
Current liabilities		
Bank indebtedness	-	357,000
Accounts payable and accrued liabilities (Note 6)	273,109	203,546
Current portion of long-term debt (Note 7)	150,000	150,000
Current portion of capital lease obligations (Note 8)	4,665	4,802
Deferred revenue (Note 9)	<u>13,904</u>	<u>13,259</u>
	441,678	728,607
Long-term debt (Note 7)	1,862,500	1,975,000
Long-term CEBA loan (Note 19)	40,000	-
Capital lease obligations (Note 8)	19,251	-
Deferred capital contributions (Note 10)	<u>906,921</u>	<u>684,244</u>
	3,270,350	3,387,851
Pledge commitment (Note 16)		
Net assets		
Restricted for endowments (Note 11)	429,717	426,989
Unrestricted net assets	<u>357,974</u>	<u>32,258</u>
	787,691	459,247
	4,058,041	3,847,098

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board


Wendy Leong, Treasurer


Kirk Duff, Chairman of the Board

The British Columbia Lions Society

For Children with Disabilities

Consolidated Statement of Operations
Year ended September 30, 2020

	2020	2019
	\$	\$
Revenues		
Programs		
Camp program and rentals	97,082	348,421
Easter Seal House	<u>962,347</u>	<u>1,088,743</u>
	1,054,429	1,437,164
Donations from general public (Notes 12 and 13)	1,047,770	1,026,285
Government grant and assistance (Note 18)	403,520	255,000
Special events (Note 12)	244,244	634,519
Lions and other service clubs gaming donations	154,233	231,045
Direct access funds from BC Gaming Commission	220,000	220,000
Amortization of deferred capital contributions (Note 10)	146,703	152,286
Investment income (Note 3)	<u>117,673</u>	<u>84,114</u>
	<u>3,393,572</u>	<u>4,040,413</u>
Expenses		
Programs		
Camps (Note 14)	755,559	1,114,339
Easter Seal House (Note 14)	738,909	923,128
Program development	<u>75,000</u>	<u>68,927</u>
	1,569,468	2,106,394
Campaigns and public relations (Note 12)	515,343	543,778
Special events (Note 12)	199,624	487,013
Administration (Note 14)	467,888	438,947
Amortization of capital assets	224,853	269,668
Interest	<u>97,915</u>	<u>96,466</u>
	<u>3,075,091</u>	<u>3,942,266</u>
Excess of revenue over expenses before undernoted	318,481	98,147
Gain on receipt of excess funds	10,970	-
Loss on disposal of capital asset	<u>(3,735)</u>	<u>(11,352)</u>
Excess of revenue over expenses	325,716	86,795

The accompanying notes are an integral part of these consolidated financial statements.

The British Columbia Lions Society For Children with Disabilities

Consolidated Statement of Changes in Net Assets
Year ended September 30, 2020

	Restricted for endowments \$	Unrestricted \$	2020 Total \$	2019 Total \$
Net assets, beginning of year	426,989	32,258	459,247	370,104
Excess of revenue over expenses		325,716	325,716	86,795
Endowment contributions	<u>2,728</u>	<u> </u>	<u>2,728</u>	<u>2,348</u>
Net assets, end of year	429,717	357,974	787,691	459,247

The accompanying notes are an integral part of these consolidated financial statements.

The British Columbia Lions Society

For Children with Disabilities

Consolidated Statement of Cash Flows
Year ended September 30, 2020

	2020	2019
	\$	\$
Cash flows from (used in) operating activities		
Excess of revenue over expenses	325,716	86,795
Items not involving cash		
Amortization of capital assets	224,853	269,668
Amortization of deferred capital contributions	(146,703)	(152,286)
Gain on excess funds	(10,970)	-
Loss on disposal of capital asset	3,735	11,352
Unrealized gain on investments	(63,677)	(20,029)
Changes in non-cash working capital		
Accounts receivable	33,131	(122,096)
Prepaid expenses	(6,252)	3,458
Accounts payable and accrued liabilities	69,563	19,431
Deferred revenue	645	(253,198)
	<u>430,041</u>	<u>(156,905)</u>
Cash flows from (used in) investing activities		
Investments purchased	(1,407,639)	(591,799)
Proceeds on sale of investments	1,537,583	559,622
Capital assets acquired	<u>(271,077)</u>	<u>(207,672)</u>
	<u>(141,133)</u>	<u>(239,849)</u>
Cash flows from (used in) financing activities		
Repayment of long-term debt	(112,500)	(150,000)
Proceeds from CEBA loan	40,000	-
Repayment of capital lease obligations	(5,763)	(5,763)
Receipt of capital contributions	369,380	53,984
Endowment contributions received	2,728	2,348
	<u>293,845</u>	<u>(99,431)</u>
Increase (decrease) in cash during the year	582,753	(496,185)
Cash and cash equivalents (bank indebtedness), beginning of year	<u>(339,483)</u>	<u>156,702</u>
Cash and cash equivalents (bank indebtedness), end of year	243,270	(339,483)
Cash and cash equivalents	243,270	17,517
Bank indebtedness	-	(357,000)

The accompanying notes are an integral part of these consolidated financial statements.

The British Columbia Lions Society For Children with Disabilities

Notes to the Consolidated Financial Statements
Year ended September 30, 2020

1. Operations

The British Columbia Lions Society for Children with Disabilities (the "Society") is a not-for-profit organization incorporated under the *Societies Act* (British Columbia).

The Society, together with its Affiliated Societies, provide services to persons with disabilities from the Provinces of British Columbia and Yukon. These services are funded by donations from the general public and others to the Society and its affiliates, Easter Seal House Society, 24-Hour Relay for the Kids Society, The British Columbia Lions Foundation for Children with Disabilities and the British Columbia Easter Seal Society (collectively, the "Affiliated Societies"). The Society controls the Affiliated Societies by virtue of a common Board of Directors. The Society and the Affiliated Societies are charitable organizations registered under the *Income Tax Act* and, as such, they are exempt from income and capital taxes and are able to issue donation receipts for income tax purposes.

These consolidated financial statements have been prepared in accordance with accounting principles under Part III of the CPA Canada Handbook applicable to a going concern which, assumes that the Society will continue operations for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operations. In the current year, the Society generated a surplus of revenue over expenses of \$ 325,716, contributing to unrestricted net assets of \$ 357,974 and had working capital of \$ 80,055.

In early 2020, there began a global outbreak of disease, identified as being caused by the novel coronavirus "CoVID-19". On March 11, 2020 the World Health Organization declared a global pandemic. In mid-March 2020, federal, regional, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to travel, leave their homes and carry out normal day-to-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. The Society has implemented safety and physical distancing procedures as recommended by the Canadian and local governments. The duration and impact of the CoVID-19 outbreak is uncertain, and its impact on the Society's future operations and financial position are also uncertain.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations and include the accounts of the Affiliated Societies. All significant balances and transactions among the Society and the Affiliated Societies have been eliminated on consolidation. These consolidated financial statements are prepared in accordance with the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with terms to maturity of three months or less at the date of acquisition.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions and investment income are recognized as revenue in the year in which the related expenses are incurred or the restrictions have been met. Endowment contributions are recognized as direct increases in net assets restricted for endowments.

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Notes to the Consolidated Financial Statements
Year ended September 30, 2020

2. Significant accounting policies - continued

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

Unrestricted investment income is recognized as revenue when earned.

All transactions are recorded at the exchange amount, except those involving donated services and materials. Donated services and materials normally acquired for the operations of the Society are recorded at their fair value, when readily determinable, as of the date the services are provided or the materials are received. Donated services in the form of volunteer time are not recognized in these consolidated financial statements due to the difficulty in determining a fair value.

Pledges receivable are recorded as revenue when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.

Capital assets

Capital assets are initially recorded at cost or, when contributed, at fair value. Amortization is provided annually on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	- 10 - 20 years
Furniture and equipment	- 2 - 20 years
Transportation vehicles	- 5 - 8 years

Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are amortized on a straight-line basis over the term of the lease to rental expense. At the inception of a capital lease, an asset and an obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

Impairment of long-lived assets

The Society reviews, for impairment, the carrying value of capital assets to be held and used whenever events or changes in circumstances indicate that a cost incurred on an asset does not provide future service potential to the Society. If such conditions exist, an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its residual value.

Deferred capital contributions

Deferred capital contributions represent the unamortized portion of contributions externally restricted for capital assets. These contributions are recognized into income over the same period as the capital assets purchased with the contributions.

Allocation of expenses

Expenses have been allocated to individual programs, campaigns, lotteries, public relations and Affiliated Societies based on the specific identification of such costs.

Management allocates administrative resource costs between the general administration expense and events and programs based on the percentage of time that administrative staff spends on those events and programs. Management re-evaluates the allocation percentages on an annual basis.

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Notes to the Consolidated Financial Statements
Year ended September 30, 2020

2. Significant accounting policies - continued

Measurement uncertainty

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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring estimates include the determination of useful lives for amortization and, where applicable, impairment of capital assets, the estimated realizable value of accounts receivable and amounts recorded as contingent liabilities. Actual results could differ from these estimates.

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 recorded at cost or amortized cost 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.

3. Investments	2020	2019
	\$	\$
Money market funds, measured at fair value	96,833	91,703
Fixed income investments, measured at amortized cost	753,387	906,236
Equity investments, measured at fair value	<u>568,870</u>	<u>487,418</u>
	1,419,090	1,485,357

Investment income earned during the year is comprised of the following:

	2020	2019
	\$	\$
Interest and dividends	36,050	38,898
Realized gain	17,946	25,187
Unrealized gain	<u>63,677</u>	<u>20,029</u>
	117,673	84,114

The British Columbia Lions Society

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Notes to the Consolidated Financial Statements
Year ended September 30, 2020

4. Capital assets	2020		2019	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	822,819	-	822,819	822,819
Buildings	8,111,193	7,201,071	910,122	980,494
Furniture and equipment	3,370,506	3,331,074	39,432	71,414
Transportation vehicles	836	836	-	308
Assets under capital lease	24,450	4,149	20,301	4,669
Development in progress	<u>324,544</u>	<u>-</u>	<u>324,544</u>	<u>170,148</u>
	12,654,348	10,537,130	2,117,218	2,049,852

Development in progress is not amortized until the property is placed into service, at which time the property will be transferred to its appropriate asset category and amortization will commence.

As of September 30, 2020, the Society has incurred \$ 324,544 (2019 - \$ 170,184) of professional, development and construction costs related to the project, which has been recorded as development in progress.

5. Line of credit

The available operating line at September 30, 2020 consists of a bank operating line of credit of \$ 1,000,000. As at September 30, 2020, \$ Nil (2019 - \$ 357,000) was drawn from the operating line of credit. The operating line bears interest at the bank's prime lending rate plus 0.5%. The same security is pledged for both the operating line and non-revolving loan (Note 7).

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities as at September 30, 2020 are government remittances payable of \$ 5,368 (2019 - \$ 9,248) relating to payroll taxes, and workers' safety insurance premiums.

7. Long-term debt	2020	2019
	\$	\$
Non-revolving loan, due November 15, 2025, payable to Bank of Nova Scotia in 60 equal monthly instalments of principal of \$ 12,500 plus interest at a fixed rate of 2.19%.	2,012,500	2,125,000
Current portion of long-term debt	<u>150,000</u>	<u>150,000</u>
	1,862,500	1,975,000

The British Columbia Lions Society

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Notes to the Consolidated Financial Statements
Year ended September 30, 2020

7. Long-term debt - continued

Easter Seal House Society is liable for the Bank of Nova Scotia loan. The loan is secured by a first fixed charge over the Vancouver Easter Seal House land and building and rents therefrom.

In addition to the requirement for monthly instalments of principal and interest, a minimum of one half of the net proceeds of the sale of any unencumbered real estate of the Society is to be applied against the non-revolving loan as a permanent reduction of principal relating to the Bank of Nova Scotia loan.

The aggregate repayment of long-term debt subsequent to September 30, 2020 is as follows:

	\$
2021	150,000
2022	150,000
2023	150,000
2024	150,000
2025	150,000
2026	<u>1,262,500</u>
	2,012,500

8. Obligations under capital lease

The Society has financed certain equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

	\$
Year ending September 30, 2021	4,665
Year ending September 30, 2022	4,665
Year ending September 30, 2023	4,665
Year ending September 30, 2024	4,665
Year ending September 30, 2025	<u>5,256</u>
Total minimum lease payments	23,916
Current portion of obligations under capital lease	4,665

The total amount of equipment under capital lease is \$ 24,450 with related accumulated amortization of \$ 4,149.

9. Deferred revenue	2020	2019
	\$	\$
Balance, beginning of year	13,259	266,457
Amounts received during the year	4,529	7,685
Amounts recognized to revenue during the year	<u>(3,884)</u>	<u>(260,883)</u>
Balance, end of year	13,904	13,259

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Notes to the Consolidated Financial Statements
Year ended September 30, 2020

10. Deferred capital contributions	2020	2019
	\$	\$
Balance, beginning of year	684,244	782,546
Amounts received during the year	369,380	53,984
Amounts recognized to revenue during the year	<u>(146,703)</u>	<u>(152,286)</u>
Balance, end of year	<u>906,921</u>	<u>684,244</u>

The balance includes an aggregate unspent amount of \$ 216,780 (2019 - \$ 39,706) contributed for the purpose of future capital asset purchases.

11. Restrictions on net assets for endowments

All of the net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the principal be maintained in perpetuity. All investment income earned on the assets restricted for endowment purposes is unrestricted, with the exception of the Noble Bruce William Walt Endowment which requires the annual reinvestment of 8% of income earned. Endowment investments consist of investments in the amount of \$ 417,237 (2019 - \$ 416,234) and restricted cash of \$ 12,480 (2019 - \$ 10,755).

12. Donations in kind

During the year, the Society received various donated services and materials valued at \$ 54,667 (2019 - \$ 301,579) that have been included in revenue of donations from the general public and special events and in the expenses of campaigns and public relations and special events in the consolidated financial statements. These donated services and materials have been recorded at their estimated fair value based on management's ability to discern the value they represent in the market.

13. Revenue from bequests

During the year, the Society received bequests in the amount of \$ 31,788 (2019 - \$ 157,365). This amount is included in donations from the general public.

14. General support expenses

Human resources and Society operating expenses of \$ 870,575 (2019 - \$ 821,534) have been allocated per Note 2 as follows:

	Allocated percentage %	2020 \$	2019 \$
Administration	54	467,888	438,947
Easter Seal House	24	211,165	221,255
Camps	<u>22</u>	<u>191,522</u>	<u>161,332</u>
	100	870,575	821,534

The British Columbia Lions Society

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Notes to the Consolidated Financial Statements
Year ended September 30, 2020

15. Remuneration of directors, employees and contractors

During the year, the Society paid total remuneration of \$ 331,272 (2019 - \$ 348,129) to three employees, each of whom received total annual remuneration of \$ 75,000 or greater.

16. Pledge commitment

The Society previously committed to payments towards an amount up to \$ 1,000,000 for a childhood health research project. In prior years the Society has paid, or otherwise been credited through joint fundraising events with a total of \$ 360,667 towards the pledge amount. During the year, a settlement agreement was entered into requiring \$ 75,000 payable on or before December 31, 2019 (paid), \$ 75,000 payable on or before December 31, 2020 and \$ 75,000 payable on or before December 31, 2021. In the event that the Society sells the Easter Seals House property on or before December 31, 2024, the Society has agreed to pay an additional payment of \$ 250,000 within six months of completion of the sale of the Easter Seals House Property.

17. Financial risks

Financial instruments consist of cash and cash equivalents, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities and long-term debt.

Liquidity risk

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts and has a line of credit to ensure that it has sufficient funds to fulfill its obligations.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Society has investments in money market funds and equity investments which are subject to risks arising from changes in market conditions.

Currency risk

Currency risk arises on financial instruments that are denominated in a foreign currency. The Society has investments in international bonds and equity funds which are indirectly subject to risks arising from changes in foreign currency rates related to the underlying securities.

Interest rate risk

The Society is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Society to a fair value risk while the floating rate instruments subject it to a cash flow risk. The Society is exposed to cash flow risk as a result of investments in bonds, money market funds and its line of credit. The risk associated with investments is managed through the Society established Investment Policy. The fixed rate long-term debt exposes the Society to a fair value risk, since fair value fluctuates inversely to changes in the market interest rates.

Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Society is exposed to credit risk with respect to the accounts receivable and its investments in term deposits and GICs. The Society assesses, on a continuous basis, accounts receivable and provides an allowance for any amounts that are not collectable.

The British Columbia Lions Society

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Notes to the Consolidated Financial Statements
Year ended September 30, 2020

18. Government assistance

The Society has made claims to receive subsidies under the Canada Emergency Wage Subsidy ("CEWS") for the subsidization of employee wages due to CoVID-19. The CEWS relates to current period expenditures. The measurement of CEWS receivable is subject to uncertainty as the CEWS legislation required some interpretations by management and CEWS claims are subject to review and possible adjustment by the relevant authorities. During the year ended September 30, 2020, the Society received CEWS of \$ 403,520 (2019 - \$ Nil). At September 30, 2020, \$ 110,263 (2019 - \$ Nil) of government grants are included in accounts receivable.

19. Long-term CEBA loan

During 2020, the Society received a \$ 40,000 loan under the Canada Emergency Business Account ("CEBA") program created by the Government of Canada in response to the CoVID-19 pandemic. The loan is guaranteed by Export Development Canada, is non-interest bearing, and is repayable by December 31, 2022. If the Society repays \$ 30,000 of the loan before December 31, 2022, the remaining balance of \$ 10,000 will be forgiven. If the loan is not repaid in full by December 31, 2022, the remaining balance will be converted to a 3-year loan at 5% annual interest, paid monthly, effective January 1, 2023, with payment in full due on December 31, 2025.