

**KNIGHTS OF COLUMBUS STATE COUNCIL
NEWFOUNDLAND AND LABRADOR**

Financial Statements

Year Ended February 29, 2020

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR
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Year Ended February 29, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Knights of Columbus State Council Newfoundland and Labrador

Qualified Opinion

I have audited the financial statements of Knights of Columbus State Council Newfoundland and Labrador (the Council), which comprise the statement of financial position as at February 29, 2020, and the statements of revenues and expenditures and 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 my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at February 29, 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 Qualified Opinion

In common with many not-for-profit organizations, the Council derives revenue from donations and 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 Council. Therefore, I was 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 year ended February 29, 2020, current assets and net assets as at February 29, 2020. My audit opinion on the financial statements for the year ended February 28, 2019 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with 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 Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit 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 Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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

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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. As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Council'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 Council'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 Council 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.

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.

Clarenville, Newfoundland and Labrador
April 25, 2020

Chartered Professional Accountant
Richard K Power, FCPA, Professional Corporation

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Statement of Financial Position

February 29, 2020

	Operating Fund	Hostel Fund	Charity Fund	2020	2019
ASSETS					
CURRENT					
Cash (Note 2)	\$ 110,178	\$ -	\$ -	\$ 110,178	\$ 118,865
Restricted funds (Note 2)	-	131,897	102,957	234,854	228,909
Accounts receivable (Note 4)	17,773	-	-	17,773	14,705
Prepaid expenses (Note 5)	7,110	-	-	7,110	6,681
Interfund	-	5,500	-	5,500	-
	\$ 135,061	\$ 137,397	\$ 102,957	\$ 375,415	\$ 369,160
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable and accrued liabilities	\$ 3,914	\$ -	\$ -	\$ 3,914	\$ 3,500
Interfund	5,500	-	-	5,500	-
	9,414	-	-	9,414	3,500
NET ASSETS	125,647	137,397	102,957	366,001	365,660
	\$ 135,061	\$ 137,397	\$ 102,957	\$ 375,415	\$ 369,160

ON BEHALF OF STATE COUNCIL

_____ *State Deputy*

_____ *State Treasurer*

The accompanying notes are an integral part of these financial statements

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Statement of Revenues and Expenditures and Changes in Net Assets

Year Ended February 29, 2020

	Operating Fund	Hostel Fund	Charity Fund	2020	2019
REVENUES					
Assessment fees	\$ 57,339	\$ 17,500	\$ -	\$ 74,839	\$ 62,374
State Lottery - net (Note 6)	62,915	-	10,000	72,915	74,468
Grocery lottery - net (Note 7)	20,683	-	-	20,683	30,152
State convention	16,815	-	-	16,815	23,071
Interest and benefits	1,769	4,685	2,249	8,703	6,239
Donations (Note 8)	1,044	-	1,024	2,068	119,892
Other	495	-	-	495	1,410
	161,060	22,185	13,273	196,518	317,606
EXPENSES					
Advertising and promotion	5,671	-	-	5,671	2,995
Bank charges	500	81	108	689	664
Donations (Note 9)	1,650	-	9,552	11,202	34,446
Fraternal services	25	-	-	25	1,660
Insurance	13,750	-	-	13,750	13,191
Members Medical Travel	-	14,272	-	14,272	16,824
Membership	1,492	-	-	1,492	3,442
Office, postage and supplies	5,639	-	-	5,639	5,600
Professional fees	5,750	-	-	5,750	4,485
Scholarship	8,000	-	-	8,000	7,000
State convention	61,843	-	-	61,843	68,355
Supreme convention	14,290	-	-	14,290	15,122
Telephone	1,543	-	-	1,543	2,168
Travel and meetings	49,325	-	-	49,325	41,084
Youth activities	2,686	-	-	2,686	1,907
	172,164	14,353	9,660	196,177	218,943
NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(11,104)	7,832	3,613	341	98,663
NET ASSETS - BEGINNING OF YEAR	136,751	129,565	99,344	365,660	266,997
NET ASSETS - END OF YEAR	\$ 125,647	\$ 137,397	\$ 102,957	\$ 366,001	\$ 365,660

The accompanying notes are an integral part of these financial statements

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Statement of Cash Flows

Year Ended February 29, 2020

	Operating Fund	Hostel Fund	Charity Fund	2020	2019
OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenses	\$ (11,104)	\$ 7,832	\$ 3,613	\$ 341	\$ 98,663
Changes in non-cash working capital:					
Accounts receivable	(3,068)	-	-	(3,068)	5,016
Accounts payable	412	-	-	412	(568)
Prepaid expenses	(427)	-	-	(427)	(98)
Change in funds	5,500	(5,500)	-	-	-
Other	-	2	-	2	-
	2,417	(5,498)	-	(3,081)	4,350
INCREASE (DECREASE) IN CASH FLOW	(8,687)	2,334	3,613	(2,740)	103,013
Cash - beginning of year	118,865	129,570	99,344	347,774	244,761
CASH - END OF YEAR	\$ 110,178	\$ 131,897	\$ 102,957	\$ 345,032	\$ 347,774
CASH CONSISTS OF:					
Cash	\$ 110,178	\$ -	\$ -	\$ 110,178	\$ 118,865
Restricted funds	-	131,897	102,957	234,854	228,909
	\$ 110,178	\$ 131,897	\$ 102,957	\$ 345,032	\$ 347,774

The accompanying notes are an integral part of these financial statements

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended February 29, 2020

1. NATURE OF OPERATIONS

The Knights of Columbus Newfoundland and Labrador State Council is a fraternal service organization that operates under the authority of the Knights of Columbus Supreme Council, New Haven, Connecticut. The Council operates in Newfoundland and Labrador and is comprised of local councils.

The State Council is exempt from income taxes under the Income Tax Act of Canada as per Section 149.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

Knights of Columbus State Council Newfoundland and Labrador follows the restricted fund method of accounting for contributions.

The Charity Foundation Fund is a registered charity under the Income Tax Act of Canada and expenditures are limited to registered charities.

The Hostel Fund provides financial assistance for accommodations to members when a member's child is at a hospital. In addition, the fund provides support for medical travel to members and their spouses. State Council has set a maximum expenditure of \$15,000 for each Columbian year.

Managing capital

The capital structure of the State Council consists of net assets. Capital requirements are funded through fundraising, assessment fees and donations. The objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

Revenue recognition

Knights of Columbus State Council Newfoundland and Labrador 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 are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Fundraising revenues are recognized as revenue when they are received and assessment fees are recognized when they are due to the State Council.

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KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended February 29, 2020

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

Contributed services

Volunteers contribute a significant number of hours per year to assist the State Council in carrying out its objectives. In addition, the Organization receives donated materials and services throughout the year. Since no objective basis exists for recording or assigning value to the services, they are not reflected in the accompanying financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The council is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the council's risk exposure and concentration as of February 29, 2020.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The council is exposed to this risk mainly in respect of its receipt of funds from its councils and fundraising activities and other related sources, and accounts payable.

4. ACCOUNTS RECEIVABLE

Accounts receivable relate to assessments due from local councils.

	<i>February 29</i> 2020	<i>February 28</i> 2019
Accounts Receivable	\$ 17,773	\$ 14,705

5. PREPAID EXPENSES

Prepaid expenses relate to insurance.

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended February 29, 2020

6. STATE LOTTERY

	<i>February 29 2020</i>	<i>February 28 2019</i>
State Lottery proceeds	\$ 287,800	\$ 305,320
State Lottery payout	(214,885)	(230,852)
Subtotal	72,915	74,468
Allocation to Charity Fund	(10,000)	(12,000)
Allocation to Operating Fund	\$ 62,915	\$ 62,468

The State Council contributed \$10,000 (2019 - \$12,000) to the Charity Foundation Fund from the State Lottery during the year.

7. GROCERY SWEEP LOTTERY

	<i>February 29 2020</i>	<i>February 28 2019</i>
Grocery Lottery proceeds	\$ 74,462	\$ 83,471
Grocery Lottery payout	(53,779)	(53,319)
Allocation to Operating Fund	\$ 20,683	\$ 30,152

8. DONATIONS RECEIVED

	<i>February 29 2020</i>	<i>February 28 2019</i>
<u>Charity fund</u>		
	\$ -	\$ -
Estate of William Canning	-	99,138
Various donors - Well water project	-	13,361
Other	1,024	5,543
	1,024	118,042
<u>Operating</u>		
Other	1,044	1,850
Grand total	\$ 2,068	\$ 119,892

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR**Notes to Financial Statements****Year Ended February 29, 2020****9. DONATIONS**

	<i>February 29</i> 2020	<i>February 28</i> 2019
Charity Foundation		
Catholic Missions in Canada	\$ 2,000	\$ 2,000
Center for Life	2,000	2,000
Evangelical Churches Development Office	-	14,361
Other	2,550	1,650
Right to Life Association	-	500
Special Olympics	1,002	2,050
The Gathering Place	2,000	7,500
	9,552	30,061
Operating Fund		
Archdiocese of St. John's	500	1,500
Other	1,150	1,385
Salt and light Catholic Media	-	1,500
	1,650	4,385
Grand total	\$ 11,202	\$ 34,446

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.