

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

Financial Statements

Year Ended February 28, 2021

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR
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Year Ended February 28, 2021

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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 28, 2021, and the statements of revenues and expenditures, 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 28, 2021, 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 28, 2021, current assets and net assets as at February 28, 2021. My audit opinion on the financial statements for the year ended February 29, 2020 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.

Emphasis of Matter

I draw attention to Note 10 to the financial statements, which describes events related to the global COVID-19 pandemic declared by the World Health Organization. My opinion is not modified in respect of this matter.

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.

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Independent Auditor's Report to the Members of Knights of Columbus State Council Newfoundland and Labrador *(continued)*

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.

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
May 15, 2021

Chartered Professional Accountant
Richard K Power, FCPA, Professional Corporation

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Statement of Financial Position

February 28, 2021

	Operating Fund	Hostel Fund	Charity Fund	2021	2020
ASSETS					
CURRENT					
Cash (Note 2)	\$ 149,180	\$ 12,589	\$ 3,528	\$ 165,297	\$ 112,548
Restricted funds (Note 2)	-	134,294	101,858	236,152	232,484
Accounts receivable (Note 4)	6,719	7,200	-	13,919	17,773
Prepaid expenses (Note 5)	7,353	-	-	7,353	7,108
Interfund	-	-	-	-	5,500
	\$ 163,252	\$ 154,083	\$ 105,386	\$ 422,721	\$ 375,413
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable and accrued liabilities	\$ 3,500	\$ -	\$ -	\$ 3,500	\$ 3,912
Interfund	-	-	-	-	5,500
	3,500	-	-	3,500	9,412
NET ASSETS	159,752	154,083	105,386	419,221	366,001
	\$ 163,252	\$ 154,083	\$ 105,386	\$ 422,721	\$ 375,413

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

Year Ended February 28, 2021

	Operating Fund	Hostel Fund	Charity Fund	2021	2020
REVENUES					
Assessment fees	\$ 26,036	\$ 14,400	\$ -	\$ 40,436	\$ 74,839
State Lottery - net (Note 6)	48,746	-	12,000	60,746	72,915
Grocery lottery - net (Note 7)	9,357	-	-	9,357	20,683
State convention	5,315	-	-	5,315	16,815
Interest and benefits	1,698	3,197	1,472	6,367	8,703
Donations (Note 8)	-	-	12,935	12,935	2,068
Other	-	-	-	-	495
	91,152	17,597	26,407	135,156	196,518
EXPENSES					
Advertising and promotion	1,005	-	-	1,005	5,671
Bank charges	72	41	73	186	688
Donations (Note 9)	-	-	22,904	22,904	11,202
Fraternal services	2,150	-	-	2,150	25
Insurance	14,700	-	-	14,700	13,750
Members Medical Travel	-	8,870	-	8,870	14,272
Membership	654	-	-	654	1,492
Office, postage and supplies	7,949	-	-	7,949	5,639
Professional fees	4,830	-	-	4,830	5,750
Scholarship	-	-	8,000	8,000	8,000
State convention	3,095	-	-	3,095	61,843
Supreme convention	1,827	-	-	1,827	14,290
Telephone	2,830	-	-	2,830	1,543
Travel and meetings	1,137	-	-	1,137	49,325
Youth activities	1,799	-	-	1,799	2,686
	42,048	8,911	30,977	81,936	196,176
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	\$ 49,104	\$ 8,686	\$ (4,570)	\$ 53,220	\$ 342

The accompanying notes are an integral part of these financial statements

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Statement of Changes in Net Assets

Year Ended February 28, 2021

	Operating fund	Hostel fund	Charity Fund	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 125,647	\$ 137,397	\$ 102,957	\$ 366,001	\$ 356,160
Excess of revenues over expenses	49,104	8,686	(4,570)	53,220	341
Transfer to Hostel funds	(8,000)	8,000	-	-	9,500
Transfer to Charity Fund - Scholarships	(6,999)	-	6,999	-	-
NET ASSETS - END OF YEAR	\$ 159,752	\$ 154,083	\$ 105,386	\$ 419,221	\$ 366,001

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 28, 2021

	Operating Fund	Hostel Fund	Charity Fund	2021	2020
OPERATING ACTIVITIES					
Excess (deficiency) of revenues over expenses	\$ 49,104	\$ 8,686	\$ (4,570)	\$ 53,220	\$ 342
Changes in non-cash working capital:					
Accounts receivable	11,054	(7,200)	-	3,854	(3,068)
Accounts payable	(414)	-	-	(414)	412
Prepaid expenses	(242)	-	-	(242)	(427)
Transfer in funds	(20,500)	13,507	6,999	6	-
	(10,102)	6,307	6,999	3,204	(3,083)
INCREASE (DECREASE) IN CASH FLOW	39,002	14,993	2,429	56,424	(2,741)
Cash - beginning of year	110,178	131,897	102,957	345,032	347,773
CASH - END OF YEAR	\$ 149,180	\$ 146,883	\$ 105,386	\$ 401,454	\$ 345,032
CASH CONSISTS OF:					
Cash	\$ 149,180	\$ 12,589	\$ 3,528	\$ 165,297	\$ 110,178
Restricted funds	-	134,294	101,858	236,152	234,854
	\$ 149,180	\$ 146,883	\$ 105,386	\$ 401,449	\$ 345,032

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 28, 2021

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 28, 2021

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 accompany 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 28, 2021.

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 28</i> 2021	<i>February 29</i> 2020
Accounts Receivable	\$ 13,919	\$ 17,773

5. PREPAID EXPENSES

Prepaid expenses relate to insurance.

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended February 28, 2021

6. STATE LOTTERY

	<i>February 28</i> 2021	<i>February 29</i> 2020
State Lottery proceeds	\$ 242,040	\$ 287,800
State Lottery payout	(181,294)	(214,885)
Subtotal	60,746	72,915
Allocation to Charity Fund	(12,000)	(10,000)
Allocation to Operating Fund	\$ 48,746	\$ 62,915

The State Council contributed \$12,000 (2020 - \$10,000) to the Charity Foundation Fund from the State Lottery during the year.

7. GROCERY SWEEP LOTTERY

	<i>February 28</i> 2021	<i>February 29</i> 2020
Grocery Lottery proceeds	\$ 51,682	\$ 74,462
Grocery Lottery payout	(42,325)	(53,779)
Allocation to Operating Fund	\$ 9,357	\$ 20,683

8. DONATIONS RECEIVED

	<i>February 28</i> 2021	<i>February 29</i> 2020
<u>Charity fund</u>		
Our Lady of Perpetual Help Council	\$ 12,435	\$ -
Other	500	1,024
	12,935	1,024
<u>Operating</u>		
Other	-	1,044
Grand total	\$ 12,935	\$ 2,068

KNIGHTS OF COLUMBUS STATE COUNCIL NEWFOUNDLAND AND LABRADOR**Notes to Financial Statements****Year Ended February 28, 2021****9. DONATIONS GIVEN**

	<i>February 28</i> 2021	<i>February 29</i> 2020
Charity Foundation		
Catholic Missions in Canada	\$ 2,000	\$ 2,000
Center for Life	3,000	2,000
Other	1,000	2,550
Food for Families Program	12,435	-
Special Olympics	1,469	1,002
The Gathering Place	3,000	2,000
	22,904	9,552
Operating Fund		
Archdiocese of St. John's	-	500
Other	-	1,150
	-	1,650
Grand total	\$ 22,904	\$ 11,202

10. COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the town's operations as at the date of these financial statements.

11. COMPARATIVE FIGURES

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