

TEAM RUBICON CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2019



Independent Auditor's Report

To the Directors of
Team Rubicon Canada

Qualified Opinion

I have audited the financial statements of Team Rubicon Canada, (the "Organization") which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations 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 paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Organization ("ASPNO").

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization. Therefore we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenditures, cash flows from operations for the year ended December 31, 2019, current assets as at December 31, 2019 and net assets as at January 1 and December 31, 2019. My audit opinion on the current year's financial statements is modified accordingly because of the possible effects of this matter.

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 Organization 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 these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other Matter

The financial statements of Team Rubicon Canada for the year ended December 31, 2018 were not audited.

Without modifying my report, I draw attention to Note 11 (Amendment and reissuance of the previously issued financial statements) to the financial statements. The Organization previously issued the financial statements for the year ended December 31, 2019 on which I issued my qualified audit report dated September 22, 2020. As described in Note 11 to the financial statements, the previously issued financial statements did not include allocation of expenses by activities and the related disclosures. The Organization has amended and reissued the financial statements for the year ended December 31, 2019, after incorporating these adjustments and the related disclosures.

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,

AUTHORIZED TO PRACTICE PUBLIC ACCOUNTING BY CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO

315 Renfrew Drive, Suite 201, Markham, ON L3R 9S7
Voice: (647) 383-6925 Fax: (905) 946-7632 Email: peter@peterkcllee.ca

Independent Auditor's Report, continued

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.

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 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 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 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.

Independent Auditor's Report, continued

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.

Peter K.C. Lee Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANT

Markham, Ontario
December 22, 2020

Team Rubicon Canada

Statement of Financial Position

As at December 31, 2019

| | 2019 | 2018 (unaudited) |
|--|-------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 159,067 | \$ 151,975 |
| Term deposit (note 3) | 50,000 | - |
| Interest receivable | 652 | - |
| Prepaid expenses | 11,938 | 8,989 |
| Total current | 221,657 | 160,964 |
| Equipment (note 4) | 4,102 | 5,860 |
| Total assets | \$ 225,759 | \$ 166,824 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 29,795 | \$ 6,000 |
| Deferred contributions (note 5) | 44,987 | 39,140 |
| Total liabilities | 74,782 | 45,140 |
| Commitment (note 6) | | |
| Net assets | | |
| Unrestricted | 150,977 | 121,684 |
| Total liabilities and net assets | \$ 225,759 | \$ 166,824 |

Approved on behalf of the Board



Director

See accompanying notes

Team Rubicon Canada

Statement of Changes in Net Assets

For the year ended December 31, 2019

| | 2019 | 2018 (unaudited) |
|--|-------------------|---------------------|
| Unrestricted balance, beginning of year | \$ 121,684 | \$ 216,317 |
| Excess (deficiency) of revenue over expenditures | 29,293 | (94,633) |
| Unrestricted balance, end of year | \$ 150,977 | \$ 121,684 |

See accompanying notes

Team Rubicon Canada

Statement of Operations

For the year ended December 31, 2019

| | 2019 | 2018 (unaudited) |
|---|------------------|---------------------|
| Revenue | | |
| Donations and contributions | \$ 525,680 | \$ 118,898 |
| Donations in-kind | - | 6,894 |
| Interest and other | 1,018 | - |
| Total revenue | 526,698 | 125,792 |
| Expenditures | | |
| Administration (Note 7) | 57,354 | 74,888 |
| Programs (Note 7) | 380,054 | 126,092 |
| Fundraising (Note 7) | 59,997 | 19,445 |
| Total expenditures | 497,405 | 220,425 |
| Excess (deficiency) of revenue over expenditures | \$ 29,293 | \$ (94,633) |

See accompanying notes

Team Rubicon Canada

Statement of Cash Flows

For the year ended December 31, 2019

| | 2019 | 2018 (unaudited) |
|--|-------------------|---------------------|
| Operating activities | | |
| Excess (deficiency) of revenue over expenditures | \$ 29,293 | \$ (94,633) |
| Adjustment for Amortization | 1,758 | 1,034 |
| | 31,051 | (93,599) |
| Change in non-cash working capital items | | |
| Interest receivable | (652) | - |
| Prepaid expenses | (2,949) | (2,640) |
| Accounts payable and accrued liabilities | 23,795 | 3,999 |
| Deferred contributions | 5,847 | 39,140 |
| | 57,092 | (53,100) |
| Investing activities | | |
| Term deposit | (50,000) | - |
| Purchase of equipment | - | (6,894) |
| | (50,000) | (6,894) |
| Increase (decrease) in cash | 7,092 | (59,994) |
| Cash, beginning of year | 151,975 | 211,969 |
| Cash, end of year | \$ 159,067 | \$ 151,975 |

See accompanying notes

Team Rubicon Canada

Notes to the Financial Statements

December 31, 2019

Nature of operations

Team Rubicon Canada (the "Organization") was incorporated in 2016 under the Canada Not-for-profit Corporations Act of Government of Canada. The Organization is an umbrella organization of Team Rubicon, Inc. and shares the same mission and values as Team Rubicon, Inc. The Organization's principal business activities are disaster response and veteran support services.

The Organization is a charitable organization registered under the Income Tax Act and therefore is not subject to either federal or provincial income taxes.

1. Significant accounting policies

The Organization applies the Canadian accounting standards for not-for-profit organizations.

(a) 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 expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income is recognized as earned.

(b) Equipment

Equipment are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rate is as follows:

| | |
|----------|-----|
| Trailers | 30% |
|----------|-----|

(c) Donated material and services

Donated materials and services are recorded at their fair value at the date of contribution when the fair value can be reasonably estimated and when such value is significant. Volunteers contribute extensive time and effort to assist the Organization in carrying out its activities. The value of donated materials and services are not recorded in these financial statements due to the difficulty in determining their fair value.

(d) Allocation of expenses

The cost of each program undertaken by the Organization includes personnel and other expenses that are directly related to providing the programs. Operating costs incurred such as advertising and promotion, insurance and wages and benefits are allocated to programs, fundraising and administration based on specific activities and the level of benefit received by each function as follows:

- field supplies, travel and vehicle expense, training costs and amortization are all attributed to program activities;
- bank charges and professional fees are all attributed to administration activities;
- advertising and promotion, insurance, occupancy, office and general and wages benefits costs are allocated based on the proportion of efforts or services required for each of program, fundraising and administration activities;

Team Rubicon Canada

Notes to the Financial Statements

December 31, 2019

1. Significant accounting policies, continued

(e) Management estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the estimated useful lives of equipment and accruals of expenses. However, future events and their effects cannot be determined with certainty and actual results could differ from these estimates.

(f) Financial instruments

Financial instruments including cash, term deposit, interest receivable, prepaid expenses and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment. Changes in fair value are recognized in excess of revenue over expenditures.

2. Financial instruments

The Organization has a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The risks that arise from the Organization's financial instruments include liquidity risk.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk through its cash and term deposit balances. The Organization reduces credit risk by maintaining its funds with credit worthy financial institutions. In the opinion of management, the credit risk exposure to the Organization is not significant.

(b) Liquidity risk

The Organization does have a liquidity risk in the accounts payable and accrued liabilities of \$29,795 (2018 (unaudited) - \$6,000). Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintaining adequate cash reserves to repay its obligations. In the opinion of management, the liquidity risk exposure to the Organization is not significant.

(c) Interest rate risk

Interest rate risk is the risk that fair value of a financial instrument or future cash flows will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk primarily through its fixed interest rate on its term deposit. In the opinion of management, the interest rate risk exposure to the Organization is not significant.

3. Term deposit

Term deposit consists of a cashable guaranteed investment certificate, which bears interest at 2% per annum and it matured on May 7, 2020.

Team Rubicon Canada

Notes to the Financial Statements

December 31, 2019

4. Equipment

| | 2019 | | 2018 (unaudited) | |
|----------|----------|-----------------------------|---------------------|----------|
| | Cost | Accumulated amortization | Net | Net |
| Trailers | \$ 6,894 | \$ 2,792 | \$ 4,102 | \$ 5,860 |

Amortization of \$1,758 (2018 (unaudited) - \$1,034) was included in programs expenditures.

5. Deferred contributions

| | 2019 | 2018 (unaudited) |
|-------------------------------|-----------|---------------------|
| Balance, at beginning of year | \$ 39,140 | \$ - |
| Contributions received | 364,681 | 51,615 |
| Amounts recognized as revenue | (358,834) | (12,475) |
| | \$ 44,987 | \$ 39,140 |

6. Commitment

The future minimum annual rental payments for office premises is as follows:

| | |
|------|-----------|
| 2020 | \$ 19,200 |
|------|-----------|

7. Allocation of expenses

As described in Note 1, various costs have been allocated as follows:

| | Programs | Fundraising | Administration | 2019 Total |
|---------------------------|------------|-------------|----------------|------------|
| Advertising and promotion | \$ 2,894 | \$ 214 | \$ - | \$ 3,108 |
| Amortization | 1,758 | - | - | 1,758 |
| Bank charges and interest | - | - | 2,917 | 2,917 |
| Field supplies | 19,691 | - | - | 19,691 |
| Insurance | 16,416 | - | 1,625 | 18,041 |
| Occupancy | 1,763 | 542 | 407 | 2,712 |
| Office and general | 10,865 | 3,343 | 2,507 | 16,715 |
| Professional fees | - | - | 19,408 | 19,408 |
| Training | 10,547 | - | - | 10,547 |
| Travel and vehicle | 148,426 | - | - | 148,426 |
| Wages and benefits | 167,694 | 55,898 | 30,490 | 254,082 |
| | \$ 380,054 | \$ 59,997 | \$ 57,354 | \$ 497,405 |

Team Rubicon Canada

Notes to the Financial Statements

December 31, 2019

7. Allocation of expenses, continued

| | Programs | Fundraising | Administration | 2018 Total (unaudited) |
|--------------------------------|-------------------|------------------|------------------|---------------------------|
| Advertising and promotion | \$ - | \$ 1,582 | \$ - | \$ 1,582 |
| Amortization | 1,034 | - | - | 1,034 |
| Bank charges and interest | - | - | 3,524 | 3,524 |
| Dues, memberships and licenses | - | - | 1,255 | 1,255 |
| Insurance | 13,765 | - | - | 13,765 |
| Office and general | - | - | 280 | 280 |
| Professional fees | - | - | 6,432 | 6,432 |
| Travel and vehicle | 53,238 | - | - | 53,238 |
| Wages and benefits | 58,055 | 17,863 | 63,397 | 139,315 |
| | <u>\$ 126,092</u> | <u>\$ 19,445</u> | <u>\$ 74,888</u> | <u>\$ 220,425</u> |

8. Related party transactions

During the year, contributions aggregating \$156,525 (2018 (unaudited) - \$nil) were received from Team Rubicon Global, an affiliated organization, to support the ongoing business costs of the Organization.

These transactions are in the normal course of business and are measured at their exchange amounts, which is the amount of consideration established and agreed to by both parties.

9. Subsequent events

Subsequent to year end, there was a global outbreak of COVID-19 (novel coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/ quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine / isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Team Rubicon Canada

Notes to the Financial Statements

December 31, 2019

10. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

11. Amendment and reissuance of the previously issued financial statements

The Organization previously issued the financial statements for the year ended December 31, 2019, which did not include the allocation of expenses by activities and the related disclosures.

- Allocation of operating expenses to programs, fundraising and administration activities (Note 7)

The Organization has amended and reissued the financial statements for the year ended December 31, 2019, after incorporating the above adjustments and the related disclosures.