

# **DRUG FREE KIDS CANADA**

## **Financial Statements**

December 31, 2023

# **DRUG FREE KIDS CANADA**

Financial Statements  
For the year ended December 31, 2023

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## **Independent Auditors' Report**

To the Directors of Drug Free Kids Canada

### *Qualified Opinion*

We have audited the financial statements of **Drug Free Kids Canada** (the "Organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations 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 our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2023 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*

Drug Free Kids Canada, in common with many not-for-profit organizations, derives revenue from various sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of Drug Free Kids Canada and we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenues over expenditures, assets and net assets.

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 qualified 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 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.

## **Independent Auditors' Report (continued)**

### *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:

- 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.

Toronto, Canada  
March 22, 2024

*Fruitman Kates LLP*

Chartered Professional Accountants  
Licensed Public Accountants

# DRUG FREE KIDS CANADA

## Statement of Financial Position As at December 31, 2023

	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 909,116	\$ 978,194
Accounts receivable	15,030	25,500
Government remittances receivable	8,900	14,625
Prepaid expenses and sundry assets	1,457	4,969
	<b>\$ 934,503</b>	<b>\$ 1,023,288</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 9,458	\$ 19,575
Government remittances payable	7,091	8,632
Deferred revenue (note 2)	205,792	54,139
Loan payable	-	30,000
	222,341	112,346
<b>Net Assets</b>	712,162	910,942
	<b>\$ 934,503</b>	<b>\$ 1,023,288</b>

Approved on behalf of the board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# DRUG FREE KIDS CANADA

## Statement of Operations and Changes in Net Assets For the year ended December 31, 2023

	2023	2022
<b>Revenue</b>		
Donations, grants and sponsorships	\$ 483,719	\$ 549,380
Interest and other income	23,958	6,376
	<u>507,677</u>	<u>555,756</u>
<b>Expenditures</b>		
Salaries, and benefits	373,437	335,750
Campaigns and program costs	291,439	352,099
Travel	14,870	3,697
Professional fees	9,055	7,630
Office and general	8,728	10,555
Bookkeeping	5,970	5,914
Insurance	1,864	1,615
Interest and bank charges	1,094	1,390
	<u>706,457</u>	<u>718,650</u>
<b>Deficiency of revenue over expenditures</b>	<b>(198,780)</b>	<b>(162,894)</b>
Net assets, beginning of year	910,942	1,073,836
<b>Net assets, end of year</b>	<b>\$ 712,162</b>	<b>\$ 910,942</b>

# DRUG FREE KIDS CANADA

Statement of Cash Flows  
For the year ended December 31, 2023

	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in):</b>		
<b>Operating activities</b>		
Deficiency of revenue over expenses	\$ (198,780)	\$ (162,894)
Change in non-cash working capital items		
Accounts receivable	10,470	57,833
Government remittances receivable	5,725	(1,326)
Prepaid expenses and sundry assets	3,512	(875)
Accounts payable and accrued liabilities	(10,117)	11,836
Government remittances payable	(1,541)	1,909
Deferred revenue	151,653	(133,372)
	(39,078)	(226,889)
<b>Financing activity</b>		
Loan payable	(30,000)	-
<b>Decrease in cash and cash equivalents</b>	<b>(69,078)</b>	<b>(226,889)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>978,194</b>	<b>1,205,083</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 909,116</b>	<b>\$ 978,194</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 400,130	\$ 408,194
Short-term investments	508,986	570,000
	<b>\$ 909,116</b>	<b>\$ 978,194</b>

# DRUG FREE KIDS CANADA

Notes to Financial Statements  
For the year ended December 31, 2023

## General

Drug Free Kids Canada ("DFKC" or the "Organization"), is a registered charity made up of volunteer private-sector led partners from major media, advertising, production, research, and corporate industries whose mission is to educate Canadian parents on the devastating effects of illicit drug use and misuse of prescription drugs by kids. DFKC does this by working with advertising agencies and media partners to create drug education and drug prevention messages that run on multiple media platforms across Canada. DFKC also provides parents with the tools they need to talk to their kids.

Pursuant to the Income Tax Act (Canada), DFKC is classified as a not-for-profit organization and therefore, is not subject to income tax.

## 1. Significant accounting policies

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

### (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 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. Endowment contributions are recognized as direct increases in net assets.

Interest and other income is recognized as revenue when earned.

### (b) Cash and cash equivalents

Cash equivalents include cash and short-term investments with an initial term to maturity of three months or less at the date of acquisition, or which are cashable at any time.

### (c) Contributed services

Directors, committee members and donors of DFKC donate their time to assist in the Organization's activities. While these services benefit the Organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.



# DRUG FREE KIDS CANADA

Notes to Financial Statements  
For the year ended December 31, 2023

## 1. Significant accounting policies (continued)

### (d) Financial instruments

#### Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loan payable.

#### Impairment

For financial assets measured at amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in deficiency of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in deficiency of revenues over expenditures.

### (e) 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial position date and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

# DRUG FREE KIDS CANADA

Notes to Financial Statements  
For the year ended December 31, 2023

## 2. Deferred revenue

Deferred revenue represents funds received in the current year that relate to a subsequent period. The changes in the deferred revenue are as follows:

	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 54,139	\$ 187,511
Add: Amounts received in the year	438,334	275,000
Less: Amounts recognized as revenue in the year	(286,681)	(408,372)
	<b>\$ 205,792</b>	<b>\$ 54,139</b>

## 3. Related party transactions

During the year, the Organization received approximately \$251,000 (2022 - \$170,000) of donations in the normal course of operations from parties related by virtue of the fact that they are members of the Organization's board.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed by the related parties.

## 4. Financial instruments

It is management's opinion that the Organization is not exposed to any significant liquidity, credit, or market risks.