

CANADIAN FRIENDS SERVICE COMMITTEE

FINANCIAL STATEMENTS

MARCH 31, 2020



INDEPENDENT AUDITORS' REPORT

To the Members of
Canadian Friends Service Committee

Qualified Opinion

We have audited the accompanying financial statements of Canadian Friends Service Committee, which comprise the statement of financial position as at March 31, 2020, 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 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 March 31, 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 Organization derives revenue from donations the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenditures and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 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 Responsibility 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 these 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)

Auditor's Responsibility 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 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 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 auditor's 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 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.

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.

Paylor Leibow LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Hamilton, Ontario
August 4, 2020

CANADIAN FRIENDS SERVICE COMMITTEE
STATEMENT OF FINANCIAL POSITION

As at March 31

	2020	2019
	\$	\$
ASSETS		
CURRENT		
Cash	224,616	49,529
Short-term investments	2,993,212	3,416,636
HST and other receivables	5,519	6,846
Prepaid expenses	-	1,743
	3,223,347	3,474,754
INVESTMENT IN CANADIAN ALTERNATIVE INVESTMENT CO-OPERATIVE TRUST (CAIC)	-	84,830
INVESTMENT IN OIKOCREDIT	10,000	10,000
CAPITAL ASSETS (Note 4)	4,226	3,023
	3,237,573	3,572,607
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	19,931	17,317
Deferred income (Note 6)	33,577	8,459
Project funding payable (Note 7)	36,303	15,893
Interest free loans (Note 8)	73,000	75,000
	162,811	116,669
NET ASSETS		
UNDESIGNATED FUND	1,082,845	1,380,863
BEQUEST FUND	1,089,357	1,155,575
FISCHER INCOME FUND	736,500	736,500
ALTERNATIVE INVESTMENT FUND	166,060	183,000
	3,074,762	3,455,938
	3,237,573	3,572,607

(See accompanying Notes to Financial Statements)

CANADIAN FRIENDS SERVICE COMMITTEE
STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2020				2019					
	Total	Undesignated	Bequest	Fischer	Alternative	Total	Undesignated	Bequest	Fischer	Alternative
	\$	Fund	Fund	Income Fund	Investment	\$	Fund	Fund	Income Fund	Investment
		\$	\$	\$	Fund		\$	\$	\$	Fund
					\$					\$
BALANCE, BEGINNING OF YEAR	3,455,938	1,380,863	1,155,575	736,500	183,000		1,328,154	1,265,614	722,000	183,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(381,176)	(453,289)	72,113	-	-		(80,857)	38,027	-	-
INTERFUND TRANSFER	-	138,331	(138,331)	-	-		148,066	(148,066)	-	-
INTERFUND TRANSFER	-	16,940	-	-	(16,940)		(14,500)	-	14,500	-
BALANCE, END OF YEAR	3,074,762	1,082,845	1,089,357	736,500	166,060		3,498,768	1,155,575	736,500	183,000
BALANCE, BEGINNING OF YEAR										
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES										
INTERFUND TRANSFER										
INTERFUND TRANSFER										
BALANCE, END OF YEAR										

(See accompanying Notes to Financial Statements)

CANADIAN FRIENDS SERVICE COMMITTEE**STATEMENT OF OPERATIONS**

	<i>Year ended March 31</i>	
	2020	2019
	\$	\$
REVENUES		
Undesignated donations	260,456	233,329
Bequest donations	72,113	38,027
Designated donations	58,609	103,934
Investment income	128,652	131,625
Miscellaneous income	1,228	2,961
	521,058	509,876
EXPENDITURES		
Administration	15,903	18,326
Amortization	1,811	1,296
Education and witness	26,538	33,865
Investment management fees	33,234	33,257
Personnel	372,286	364,880
Program Committees (Schedule 1)	127,869	150,509
Promotion	12,416	8,639
	590,057	610,772
DEFICIENCY OF REVENUES OVER EXPENDITURES FROM OPERATIONS	(68,999)	(100,896)
OTHER INCOME (EXPENSE)		
Gains (losses) on investments	(312,177)	58,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(381,176)	(42,830)

(See accompanying Notes to Financial Statements)

CANADIAN FRIENDS SERVICE COMMITTEE**STATEMENT OF CASH FLOWS**

	<i>Year ended March 31</i>	
	2020	2019
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	(381,176)	(42,830)
Items not involving cash		
Amortization	1,811	1,296
Losses (gains) on investments	312,177	(58,066)
	(67,188)	(99,600)
Changes in non-cash working capital (Note 9)	51,212	(7,714)
	(15,976)	(107,314)
FINANCING ACTIVITY		
Decrease in interest free loans	(2,000)	(7,000)
INVESTING ACTIVITIES		
Decrease in short-term investments	111,247	91,775
Decrease in investment in CAIC	84,830	29,390
Purchase of capital assets	(3,014)	(1,495)
	193,063	119,670
INCREASE IN CASH	175,087	5,356
CASH, BEGINNING OF YEAR	49,529	44,173
CASH, END OF YEAR	224,616	49,529

(See accompanying Notes to Financial Statements)

1. PURPOSE OF THE COMMITTEE

Canadian Friends Service Committee is the peace, social justice and international development arm of the Religious Society of Friends (Quakers) in Canada.

The Committee is a non-profit organization incorporated without share capital under the Canada Corporations Act. The Committee is a registered Canadian charity, registration #13214 6549 RR0001 and, as such, is exempt from income tax and may issue income tax receipts to donors. On December 2, 2013, the Committee was granted a Certificate of Continuance under the Canada Not-for-profit Corporations Act.

2. COVID-19

The recent outbreak of the Coronavirus Disease 2019 ("COVID-19") has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that we or our donors, investments and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on our business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact our business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts our results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

FINANCIAL INSTRUMENTS*Measurement of financial instruments*

The Committee initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Committee subsequently measures its financial assets and financial liabilities at amortized cost, except for equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures.

Financial assets measured at amortized cost include cash. The investment in Oikocredit and CAIC are recorded at cost.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, project funding payable and interest free loans.

Financial assets measured at fair value include short-term investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in excess of revenues over expenditures. The write down reflects the difference between the carrying amount and the higher of:

- ◆ the present value of the cash flows expected to be generated by the asset or group of assets;
- ◆ the amount that could be realized by selling the assets or group of assets;
- ◆ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in excess of revenues over expenditures up to the amount of the previously recognized impairment.

CAPITAL ASSETS AND AMORTIZATION

Capital assets are recorded at cost. An impairment loss is recognized when a capital asset no longer has any long-term service potential to the Committee or its carrying amount may not be recoverable. The Committee provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Computer equipment	30 %
--------------------	------

REVENUE RECOGNITION

The Committee 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.

Bequests which are received without direction regarding how the money is to be spent are allocated to the bequest fund. Bequests less than \$50,000 are transferred to the undesignated fund on a declining balance basis at a rate of 20% per year. Bequests greater than \$50,000 are transferred to the undesignated fund on a declining balance basis at a rate of 10% per year.

Investment income is recognized on the accrual basis. Interest income is accounted for as earned and dividend income is recognized on the ex-dividend date.

CANADIAN FRIENDS SERVICE COMMITTEE**NOTES TO FINANCIAL STATEMENTS***Year ended March 31, 2020*

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**INTERNALLY RESTRICTED FUNDS**

The Fischer income fund and alternative investment fund consists of funding to be utilized to earn investment income.

CONTRIBUTED SERVICES AND MATERIALS

Volunteers contribute their time during the year to assist the Committee in carrying out its service delivery activities. However, because of the difficulty in determining the exact number of volunteer hours and their fair value, contributed services are not recognized in the financial statements

Contributed materials used in the normal course of operations that would have been purchased are recorded at their fair value at the date of contribution and are included in donations revenue.

4. CAPITAL ASSETS

			2020	2019
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Computer equipment	53,299	49,073	4,226	3,023

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable are other government remittances payable in the amount of \$9,000 (2019 - \$8,495).

6. DEFERRED INCOME

Deferred income represents unspent resources externally restricted for specific purposes that were received in the current year or prior year that were not spent by year end. The changes in deferred contributions are as follows:

	2020	2019
	\$	\$
Beginning balance	8,459	8,591
Add: Amounts received during the year	33,577	4,424
Less: Amounts spent during the year	(8,459)	(4,556)
	33,577	8,459

CANADIAN FRIENDS SERVICE COMMITTEE**NOTES TO FINANCIAL STATEMENTS***Year ended March 31, 2020*

7. PROJECT FUNDING PAYABLE

Project funding payable consists of amounts which were designated by the donor for specific projects which were received before year end together with other project amounts approved to be paid during the year from undesignated donations, neither of which has been paid in full by March 31, 2020.

8. INTEREST FREE LOANS

Interest free loans are unsecured and are due not more than 60 days from the date of request for payment.

9. CHANGES IN NON-CASH WORKING CAPITAL

	2020	2019
	\$	\$
HST and other receivables	1,327	3,268
Prepaid expenses	1,743	(1)
Accounts payable and accrued liabilities	2,614	(255)
Deferred income	25,118	(132)
Project funding payable	20,410	(10,594)
	51,212	(7,714)

10. FINANCIAL INSTRUMENTS**MARKET RISK**

The Committee is exposed to market risk through its investments quoted in an active market. The Committee's investment portfolio is well diversified and there is no significant concentration of market risk.

LIQUIDITY RISK

The Committee does have a liquidity risk in interest free loans. Liquidity risk is the risk that the Committee cannot repay its obligations when they become due to its creditors. In the opinion of management the liquidity risk exposure to the Committee is low and is not material.

CANADIAN FRIENDS SERVICE COMMITTEE**SCHEDULE 1 - PROGRAM COMMITTEES**

	<i>Year ended March 31</i>	
	2020	2019
	\$	\$
Quaker Peace Committee	57,759	83,166
Quaker Fostering Justice Committee	14,552	32,158
Quaker Indigenous Rights Committee	40,126	22,827
Quaker Partnerships	15,432	12,358
	127,869	150,509

(See accompanying Notes to Financial Statements)