

CANADIAN FRIENDS SERVICE COMMITTEE

FINANCIAL STATEMENTS

MARCH 31, 2017



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INDEPENDENT AUDITOR'S REPORT

To the Members of
Canadian Friends Service Committee

We have audited the accompanying financial statements of Canadian Friends Service Committee, which comprise the statement of financial position as at March 31, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Committee's preparation and fair presentation of the financial statements 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 Committee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Committee 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 Committee 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 year ended March 31, 2017, current assets as at March 31, 2017 and net assets as at April 1, 2016 and March 31, 2017.

INDEPENDENT AUDITOR'S REPORT (Continued)

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Committee as at March 31, 2017 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.

Paylor Leibow LLP

CHARTERED ACCOUNTANTS
Licensed Public Accountants

Hamilton, Ontario
August 15, 2017

CANADIAN FRIENDS SERVICE COMMITTEE
STATEMENT OF FINANCIAL POSITION

As at March 31

	2017	2016
	\$	\$
ASSETS		
CURRENT		
Cash	80,746	57,162
Short-term investments	3,078,262	2,649,218
HST and other receivables	5,976	4,722
Prepaid expenses	11,961	17,758
	3,176,945	2,728,860
INVESTMENT IN CANADIAN ALTERNATIVE INVESTMENT CO-OPERATIVE TRUST (CAIC)	173,000	173,000
INVESTMENT IN OIKOCREDIT	10,000	10,000
CAPITAL ASSETS (Note 3)	2,943	4,205
	3,362,888	2,916,065
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	11,652	25,330
Deferred income (Note 5)	8,000	-
Project funding payable (Note 6)	14,341	10,488
Interest free loans (Note 7)	89,000	96,000
	122,993	131,818
NET ASSETS		
UNDESIGNATED FUND	1,187,605	766,907
BEQUEST FUND	1,158,790	1,133,840
FISCHER INCOME FUND	710,500	700,500
ALTERNATIVE INVESTMENT FUND	183,000	183,000
	3,239,895	2,784,247
	3,362,888	2,916,065

(See accompanying Notes to Financial Statements)

CANADIAN FRIENDS SERVICE COMMITTEE**STATEMENT OF CHANGES IN NET ASSETS***Year ended March 31*

	2017				
	Total	Undesignated	Bequest	Fischer	Alternative
	\$	Fund	Fund	Income	Investment
	\$	\$	\$	Fund	Fund
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	2,784,247	766,907	1,133,840	700,500	183,000
EXCESS OF REVENUES OVER EXPENDITURES	455,648	288,029	167,619	-	-
INTERFUND TRANSFER	-	142,669	(142,669)	-	-
INTERFUND TRANSFER	-	(10,000)	-	10,000	-
BALANCE, END OF YEAR	3,239,895	1,187,605	1,158,790	710,500	183,000

	2016				
	Total	Undesignated	Bequest	Fischer	Alternative
	\$	Fund	Fund	Income	Investment
	\$	\$	\$	Fund	Fund
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	2,761,287	755,369	1,129,918	693,000	183,000
EXCESS OF REVENUES OVER EXPENDITURES	22,960	(130,367)	153,327	-	-
INTERFUND TRANSFER	-	149,405	(149,405)	-	-
INTERFUND TRANSFER	-	(7,500)	-	7,500	-
BALANCE, END OF YEAR	2,784,247	766,907	1,133,840	700,500	183,000

CANADIAN FRIENDS SERVICE COMMITTEE**STATEMENT OF OPERATIONS**

	<i>Year ended March 31</i>	
	2017	2016
	\$	\$
REVENUES		
Undesignated donations	250,416	225,491
Bequest donations	167,619	153,327
Designated donations	30,503	48,456
Investment income	94,983	85,480
Miscellaneous income	627	5,945
	544,148	518,699
EXPENDITURES		
Administration	14,619	20,317
Amortization	1,262	1,802
Education and witness	31,819	30,937
Investment management fees	25,496	24,622
Personnel	288,081	281,408
Program Committees (Schedule 1)	91,286	102,164
Promotion	4,812	4,262
	457,375	465,512
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	86,773	53,187
OTHER INCOME (EXPENSE)		
Gains (losses) on investments	368,875	(30,227)
EXCESS OF REVENUES OVER EXPENDITURES	455,648	22,960

(See accompanying Notes to Financial Statements)

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

	<i>Year ended March 31</i>	
	2017	2016
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	455,648	22,960
Items not involving cash		
Amortization	1,262	1,802
Losses (gains) on investments	(403,684)	30,227
	53,226	54,989
Changes in non-cash working capital (Note 8)	2,718	5,064
	55,944	60,053
FINANCING ACTIVITY		
Increase (decrease) in interest free loans	(7,000)	13,000
INVESTING ACTIVITIES		
Purchase of capital assets	-	(1,205)
Increase in short-term investments	(25,360)	(36,162)
	(25,360)	(37,367)
INCREASE IN CASH	23,584	35,686
CASH, BEGINNING OF YEAR	57,162	21,476
CASH, END OF YEAR	80,746	57,162

(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. 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, investment in Canadian Alternative Investment Co-operative Trust and investment in Oikocredit.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**FINANCIAL INSTRUMENTS (Continued)**

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 Organization. The Organization 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 %
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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.

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.

CANADIAN FRIENDS SERVICE COMMITTEE
NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

3. CAPITAL ASSETS

			2017	2016
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
	\$	\$	\$	\$
Computer equipment	47,700	44,757	2,943	4,205

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable are other government remittances payable in the amount of \$6,015 (2016 - \$7,328).

5. 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:

	2017	2016
	\$	\$
Beginning balance	-	1,650
Add: Amounts received during the year	8,000	-
Less: Amounts spent during the year	-	(1,650)
	8,000	-

6. 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, 2017.

7. INTEREST FREE LOANS

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

CANADIAN FRIENDS SERVICE COMMITTEE**NOTES TO FINANCIAL STATEMENTS***Year ended March 31, 2017*

8. CHANGES IN NON-CASH WORKING CAPITAL

	2017	2016
	\$	\$
HST and other receivables	(1,254)	1,469
Prepaid expenses	5,797	(11,121)
Accounts payable and accrued liabilities	(13,678)	7,468
Deferred income	8,000	(1,650)
Project funding payable	3,853	8,898
	2,718	5,064

CANADIAN FRIENDS SERVICE COMMITTEE
NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

9. 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>	
	2017	2016
	\$	\$
Quaker Peace Committee	49,443	52,946
Quaker Fostering Justice Committee	12,212	13,341
Quaker Indigenous Rights Committee	16,109	23,130
Quaker Partnerships	13,522	12,747
	91,286	102,164

(See accompanying Notes to Financial Statements)