

CANADIAN FRIENDS SERVICE COMMITTEE

FINANCIAL STATEMENTS

MARCH 31, 2018



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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, 2018, 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, 2018, current assets as at March 31, 2018 and net assets as at April 1, 2017 and March 31, 2018.

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, 2018 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
July 26, 2018

CANADIAN FRIENDS SERVICE COMMITTEE**STATEMENT OF FINANCIAL POSITION***As at March 31*

	2018	2017
	\$	\$
ASSETS		
CURRENT		
Cash	44,173	80,746
Short-term investments	3,450,345	3,078,262
HST and other receivables	10,114	5,976
Prepaid expenses	1,742	11,961
	3,506,374	3,176,945
INVESTMENT IN CANADIAN ALTERNATIVE INVESTMENT CO-OPERATIVE TRUST (CAIC)	114,220	173,000
INVESTMENT IN OIKOCREDIT	10,000	10,000
CAPITAL ASSETS (Note 3)	2,824	2,943
	3,633,418	3,362,888
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	17,572	11,652
Deferred income (Note 5)	8,591	8,000
Project funding payable (Note 6)	26,487	14,341
Interest free loans (Note 7)	82,000	89,000
	134,650	122,993
NET ASSETS		
UNDESIGNATED FUND	1,328,154	1,187,605
BEQUEST FUND	1,265,614	1,158,790
FISCHER INCOME FUND	722,000	710,500
ALTERNATIVE INVESTMENT FUND	183,000	183,000
	3,498,768	3,239,895
	3,633,418	3,362,888

(See accompanying Notes to Financial Statements)

CANADIAN FRIENDS SERVICE COMMITTEE

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2018				2017					
	Total \$	Undesignated Fund \$	Bequest Fund \$	Fischer Income Fund \$	Alternative Investment Fund \$	Total \$	Undesignated Fund \$	Bequest Fund \$	Fischer Income Fund \$	Alternative Investment Fund \$
BALANCE, BEGINNING OF YEAR	3,239,895	1,187,605	1,158,790	710,500	183,000	2,784,247	766,907	1,133,840	700,500	183,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	258,873	(2,127)	261,000	-	-	455,648	288,029	167,619	-	-
INTERFUND TRANSFER	-	154,176	(154,176)	-	-	-	142,669	(142,669)	-	-
INTERFUND TRANSFER	-	(11,500)	-	11,500	-	-	(10,000)	-	10,000	-
BALANCE, END OF YEAR	3,498,768	1,328,154	1,265,614	722,000	183,000	3,239,895	1,187,605	1,158,790	710,500	183,000

(See accompanying Notes to Financial Statements)

CANADIAN FRIENDS SERVICE COMMITTEE

STATEMENT OF OPERATIONS

	Year ended March 31	
	2018	2017
	\$	\$
REVENUES		
Undesignated donations	229,308	250,416
Bequest donations	261,000	167,619
Designated donations	81,801*	30,503
Investment income	103,944	94,983
Miscellaneous income	5,557	627
	681,610	544,148
EXPENDITURES		
Administration	22,464	14,619
Amortization	1,210	1,262
Education and witness	32,848	31,819
Investment management fees	30,709	25,496
Personnel	360,589	288,081
Program Committees (Schedule 1)	140,085	91,286
Promotion	10,222	4,812
	598,127	457,375
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	83,483	86,773
OTHER INCOME		
Gains on investments	175,390	368,875
EXCESS OF REVENUES OVER EXPENDITURES	258,873	455,648

(See accompanying Notes to Financial Statements)

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

	<i>Year ended March 31</i>	
	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenditures	258,873	455,648
Items not involving cash		
Amortization	1,210	1,262
Gains on investments	(175,390)	(368,875)
	84,693	88,035
Changes in non-cash working capital (Note 8)	24,738	2,718
	109,431	90,753
FINANCING ACTIVITY		
Decrease in interest free loans	(7,000)	(7,000)
INVESTING ACTIVITIES		
Increase in short-term investments	(196,693)	(60,169)
Decrease in investment in CAIC	58,780	-
Purchase of capital assets	(1,091)	-
	(139,004)	(60,169)
INCREASE IN CASH	(36,573)	23,584
CASH, BEGINNING OF YEAR	80,746	57,162
CASH, END OF YEAR	44,173	80,746

(See accompanying Notes to Financial Statements)

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

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.

NOTES TO FINANCIAL STATEMENTS*Year ended March 31, 2018*

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 Committee. 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 %
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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.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

3. CAPITAL ASSETS

			2018	2017
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Computer equipment	48,790	45,966	2,824	2,943

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable are other government remittances payable in the amount of \$7,834 (2017 - \$6,015).

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:

	2018	2017
	\$	\$
Beginning balance	8,000	-
Add: Amounts received during the year	4,556	8,000
Less: Amounts spent during the year	(3,965)	-
	8,591	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, 2018.

7. INTEREST FREE LOANS

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

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

8. CHANGES IN NON-CASH WORKING CAPITAL

	2018	2017
	\$	\$
HST and other receivables	(4,138)	(1,254)
Prepaid expenses	10,219	5,797
Accounts payable and accrued liabilities	5,920	(13,678)
Deferred income	591	8,000
Project funding payable	12,146	3,853
	24,738	2,718

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>	
	2018	2017
	\$	\$
Quaker Peace Committee	84,113	49,443
Quaker Fostering Justice Committee	10,554	12,212
Quaker Indigenous Rights Committee	30,909	16,109
Quaker Partnerships	14,509	13,522
	140,085	91,286

(See accompanying Notes to Financial Statements)