

**Experiences Canada / Éxpériences Canada**  
**Financial Statements**  
*August 31, 2018*

# Experiences Canada / *É*xperiences Canada Contents

*For the year ended August 31, 2018*

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	<i>Page</i>
<b>Independent Auditors' Report</b>	
<b>Financial Statements</b>	
Statement of Financial Position.....	1
Statement of Operations.....	2
Statement of Changes in Net Assets.....	3
Statement of Cash Flows.....	4
<b>Notes to the Financial Statements</b> .....	5
<b>Schedules</b>	
Schedule 1 - Schedule of Youth Exchange Program Expenses.....	11
Schedule 2 - Schedule of Canada 150 + Me Program Expenses.....	11
Schedule 3 - Schedule of Corporate Support Expenses .....	12

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## Independent Auditors' Report

To the Members of Experiences Canada / Éperiences Canada:

We have audited the accompanying financial statements of Experiences Canada / Éperiences Canada, which comprise the statement of financial position as at August 31, 2018, and the statements of operations, changes in net assets 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.

### *Auditors' 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 auditors' 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 entity'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 entity'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 is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Experiences Canada / Éperiences Canada as at August 31, 2018 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Ottawa, Ontario

November 15, 2018

*MNP LLP*



Chartered Professional Accountants

Licensed Public Accountants

# Experiences Canada / *É*xperiences Canada

## Statement of Financial Position

*As at August 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current</b>		
Cash	670,717	85,495
Accounts receivable (Note 3)	220,813	366,323
Guaranteed investment certificates (Note 4)	118,604	21,188
Prepaid expenses	440,030	222,374
	<b>1,450,164</b>	695,380
<b>Capital assets (Note 5)</b>	<b>124,112</b>	118,470
<b>Investments (Note 6)</b>	<b>853,160</b>	669,196
	<b>2,427,436</b>	1,483,046
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	340,446	330,570
Deferred revenue (Note 7)	1,048,004	78,100
	<b>1,388,450</b>	408,670
<b>Commitments (Note 8)</b>		
<b>Net Assets</b>		
Invested in capital assets (Note 9)	124,112	118,470
Wind-up reserve (Note 9)	475,000	475,000
Special measures reserve (Note 9)	100,000	100,000
Unrestricted (Note 9)	339,874	380,906
	<b>1,038,986</b>	1,074,376
	<b>2,427,436</b>	1,483,046
<b>Approved on behalf of the Board</b>		
 _____ <b>Director</b>	 _____ <b>Director</b>	

*The accompanying notes are an integral part of these financial statements*

# Experiences Canada / *Expériences Canada*

## Statement of Operations

*For the year ended August 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
<b>Youth Exchanges program</b>		
Canadian Heritage contribution	4,458,920	4,656,981
Project fees	450,600	546,400
Other income	66,094	76,595
	<b>4,975,614</b>	5,279,976
<b>Canada 150 + Me program</b>		
Canadian Heritage contribution	-	720,724
	<b>4,975,614</b>	6,000,700
<b>Donations and other income</b>		
	<b>194,809</b>	566,775
	<b>5,170,423</b>	6,567,475
<b>Expenses</b>		
Youth Exchanges program <i>(Schedule 1)</i>	5,018,821	5,317,343
Canada 150 + Me program <i>(Schedule 2)</i>	38,451	1,235,320
Corporate support <i>(Schedule 3)</i>	159,568	73,997
	<b>5,216,840</b>	6,626,660
<b>Deficiency of revenue over expenses before other items</b>	<b>(46,417)</b>	(59,185)
<b>Other items</b>		
Realized gain (loss) on disposal of investments	6,482	(3,184)
Unrealized gain on investments due to change in fair value	4,545	17,787
<b>Deficiency of revenue over expenses</b>	<b>(35,390)</b>	(44,582)

*The accompanying notes are an integral part of these financial statements*

**Experiences Canada / Éxpériences Canada**  
**Statement of Changes in Net Assets**

*For the year ended August 31, 2018*

	<i>Invested in capital assets</i>	<i>Wind-up reserve</i>	<i>Special measures reserve</i>	<i>Unrestricted</i>	<i>2018</i>	<i>2017</i>
<b>Net assets, beginning of year</b>	<b>118,470</b>	<b>475,000</b>	<b>100,000</b>	<b>380,906</b>	<b>1,074,376</b>	1,118,958
<b>Deficiency of revenue over expenses</b>	-	-	-	<b>(35,390)</b>	<b>(35,390)</b>	(44,582)
<b>Purchase of capital assets</b>	<b>45,860</b>	-	-	<b>(45,860)</b>	-	-
<b>Amortization of capital assets</b>	<b>(40,218)</b>	-	-	<b>40,218</b>	-	-
<b>Net assets, end of year</b>	<b>124,112</b>	<b>475,000</b>	<b>100,000</b>	<b>339,874</b>	<b>1,038,986</b>	1,074,376

*The accompanying notes are an integral part of these financial statements*

# Experiences Canada / *É*xperiences Canada

## Statement of Cash Flows

*For the year ended August 31, 2018*

	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Deficiency of revenue over expenses	(35,390)	(44,582)
Amortization of capital assets	40,218	7,684
Unrealized gain on investments due to change in fair value	(4,545)	(17,787)
Accrued interest on investments	(15,822)	(12,751)
Donated shares measured at fair value	(20,195)	(20,075)
Realized loss (gain) on sale of investments	(6,482)	3,184
	<b>(42,216)</b>	<b>(84,327)</b>
Changes in working capital accounts		
Accounts receivable	145,510	(79,071)
Prepaid expenses	(217,656)	(33,116)
Accounts payable and accrued liabilities	9,876	142,131
Deferred revenue	969,904	(374,073)
<b>Cash provided by (used for) operating activities</b>	<b>865,418</b>	<b>(428,456)</b>
<b>Investing</b>		
Purchase of capital assets	(45,860)	(112,455)
Purchase of investments	(272,098)	(195,690)
Proceeds on disposal of investments	37,762	223,791
<b>Cash used for investing activities</b>	<b>(280,196)</b>	<b>(84,354)</b>
<b>Increase (decrease) in cash</b>	<b>585,222</b>	<b>(512,810)</b>
<b>Cash, beginning of year</b>	<b>85,495</b>	<b>598,305</b>
<b>Cash , end of year</b>	<b>670,717</b>	<b>85,495</b>

*The accompanying notes are an integral part of these financial statements*

# Experiences Canada / *É*xperiences Canada

## Notes to the Financial Statements

For the year ended August 31, 2018

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### 1. Incorporation and nature of the organization

Experiences Canada (the "Organization") is a registered charity incorporated without share capital as a not-for-profit organization and is exempt from income taxes. The Organization was previously incorporated under Canada Not-for-profit Corporations Act in February 2014. The Organization's mission is to create, promote and facilitate enriching educational opportunities for youth within Canada for the development of mutual respect and understanding through exchange programs which explore their heritage, language and community.

### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

#### **Investments**

Investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at amortized cost plus applicable accrued interest. Securities measured at fair market value include common shares and trust units while securities measured at amortized cost plus accrued interest include guaranteed investment certificates with maturities greater than 3 months. Changes to fair value are recorded at year-end at the quoted market prices.

#### **Capital assets**

Purchased capital assets are recorded at cost.

Amortization is provided using the straight-line method intended to amortize the cost of assets over their estimated useful lives. The annual amortization rates are as follows:

	<b>Method</b>	<b>Useful life</b>
Computer equipment	straight-line	3 years
Computer software	straight-line	3 years
Furniture and fixtures	straight-line	3 - 7 years
Leasehold improvements	straight-line	5 years
Website	straight-line	3 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset exceeds its estimated future discounted cash flows a write down is recognized in the statement of operations in the amount by which the carrying amount exceeds the fair value of the asset.

#### **Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are initially included in deferred revenue on the Organization's statement of financial position and 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. Unrestricted investment income is recognized as revenue when earned.

Project fees include the fees paid by participants for the right to participate in exchanges. These fees are recognize in revenue once the travel has occurred.

Other income include grants, interest and rebates that have been allocated to either the programs or corporate expenditures. These revenues are recognized in revenue when the expenses related to the revenues has been incurred.



**2. Significant accounting policies** *(Continued from previous page)*

***Contributed materials and services***

Contributions of materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated. Contributed materials of \$12,058 (2017 - \$99,230) have been recorded in donations and other income in the Statement of Operations. Correspondingly, contributed materials expenditures of \$12,058 (2017 - \$99,230) have been recorded as in-kind travel and are disclosed in the Schedules. Donated services in the form of volunteer efforts are not recorded. Volunteers provide over 70,000 hours per year to allow the Organization to provide its services for students in Canada.

***Financial instruments***

The Organization initially measures its financial assets and 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. The transaction costs are recognized in the deficiency of revenues over expenses for the current period.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity and marketable security instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the deficiency of revenues over expenses for the current period.

Financial assets measured at amortized cost include cash, guaranteed investment certificate, accounts receivable (excluding sales tax recoverable) and fixed income investments.

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

Financial assets measured at fair value include investments in Canadian and foreign equity.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the deficiency of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost and amortized into income over the life of the related financial instrument.

***Financial asset 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 deficiency of expenses over revenues.

***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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Specific items subject to significant estimates include the estimated useful lives of capital assets, valuation of accounts receivable and measurement of accrued liabilities when no invoice has been received. Actual results could differ from those estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in deficiency of revenues over expenses in the periods in which they become known.

# Experiences Canada / *É*xperiences Canada

## Notes to the Financial Statements

*For the year ended August 31, 2018*

### 3. Accounts receivable

	<b>2018</b>	<b>2017</b>
Accounts receivable	<b>88,473</b>	145,621
Sales tax recoverable	<b>132,340</b>	199,282
Canadian Heritage holdback receivable	-	21,420
	<b>220,813</b>	366,323

### 4. Guaranteed investment certificates

The guaranteed investment certificates bear interest between 2.15 - 2.21% (2017 - 1.65%) per annum and mature November, 2018 (2017 - February, 2018).

### 5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2018 Net book value</i>	<i>2017 Net book value</i>
Computer equipment	<b>66,243</b>	<b>64,979</b>	<b>1,264</b>	4,441
Computer software	<b>208,839</b>	<b>117,806</b>	<b>91,033</b>	108,151
Furniture and fixtures	<b>36,015</b>	<b>28,020</b>	<b>7,995</b>	4,854
Leasehold improvements	<b>5,121</b>	<b>5,121</b>	-	1,024
Website	<b>26,245</b>	<b>2,425</b>	<b>23,820</b>	-
	<b>342,463</b>	<b>218,351</b>	<b>124,112</b>	118,470

Capital asset acquisitions during the year ended August 31, 2018 amounted to \$45,860 (2017 - \$112,455). There were no disposals of capital assets in the current or prior year.

Included in computer software are assets under development of \$Nil (2017 - \$108,151) for the development of a new customer relationship database. These costs were capitalized in the prior year. These costs began amortizing in the current year as the customer relationship database was in use during the fiscal year.

Cost and accumulated amortization of capital assets at August 31, 2017 amounted to \$296,604 and \$178,134 respectively.

### 6. Investments

	<b>2018</b>	<b>2017</b>
Measured at amortized cost		
Fixed income investments and accrued interest (cost - \$684,400; 2017 - \$459,400)	<b>717,638</b>	497,061
Less: current portion	<b>118,604</b>	21,188
	<b>599,034</b>	475,873
Measured at fair value:		
Canadian equity (cost - \$169,153; 2017 - \$123,119)	<b>184,603</b>	142,379
Foreign equity (cost - \$49,630; 2017 - \$39,158)	<b>69,523</b>	50,944
	<b>254,126</b>	193,323
	<b>853,160</b>	669,196

**Experiences Canada / *É*xperiences Canada**  
**Notes to the Financial Statements**  
*For the year ended August 31, 2018*

**7. Deferred revenue**

Deferred revenue consists of Canadian Heritage contributions, other grants received, as well as program participation and membership fees that relate to future travel. Recognition of these amounts as revenue is deferred to periods when the specific expenditures are made. At year end the balance of deferred revenue consisted of the following amounts:

	2018 <i>Beginning of year</i>	Amounts <i>received during the year</i>	Amounts <i>recognized as revenue during the year</i>	2018 <i>End of year</i>
Canadian Heritage Contribution	-	5,351,423	4,458,920	892,503
Other grants (non-federal government)	-	194,000	101,000	93,000
Program participation fees	61,700	435,300	450,600	46,400
Membership fees	16,400	23,800	24,100	16,100
	<b>78,100</b>	<b>6,004,523</b>	<b>5,034,620</b>	<b>1,048,003</b>

**8. Commitments**

The Organization has entered into an operating lease contract for the rental of office premises, which commenced on May 1, 2018 and expires April 30, 2028. In addition, the Organization also has a lease for its photocopier that expires on February 28, 2019.

Minimum lease payments for the Organization's office premises and equipment are estimated as follows:

2019	74,505
2020	71,769
2021	72,982
2022	74,247
2023	77,289
Thereafter, to April 30, 2028	395,287
	<b>766,079</b>

In addition to the lease commitments include above, the Organization has also agreed to receive an annual donation from its landlord in the amount of \$12,000 annually. The term of the donations is the same as the lease which commenced on May 1, 2018 and will expire April 30, 2028.

**9. Restrictions on net assets**

***Internally restricted net assets***

The Organization has internally restricted amounts that are not available for other purposes without approval of the Board of Directors, as follows:

***Wind-up reserve:***

The Organization's Board of Directors has established a wind-up reserve by internally restricting funds to meet the estimated costs of a wind-up of the Organization.

**9. Restrictions on net assets** *(Continued from previous page)*

*Special measures reserve:*

A special measures reserve was established to provide funds for any young person whose economic circumstances would not otherwise allow participation in a program of the Organization. Funds disbursed to any young person will be applied against the special measures reserve as applicable.

The board of directors also has internally restricted net assets invested in capital assets. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

**10. Credit facility**

The Organization has a \$100,000 revolving line of credit, with interest at prime rate plus 1%, due on demand and is secured by a general security agreement providing a first charge over all assets, of which \$Nil was utilized at August 31, 2018 (2017 - \$Nil).

**11. Economic dependence**

A significant portion of the Organization's programs are financed by contributions from the federal government. In the event that support from the government is no longer extended, the Organization would have to obtain alternate funding or possibly decrease its services.

In fiscal 2016, the Organization negotiated a three-year agreement with the federal government that ends on March 31, 2019 for annual funding of \$4,500,000. In fiscal 2016, the Organization negotiated another two-year agreement with the federal government for a special project that ended October 31, 2017 for total funding over the two years of \$700,000.

Contributions received from government departments may be subject to audit or final reconciliation under the terms and conditions of the respective contribution agreements. Should these audits or reconciliations reveal that any of the expenditures on the projects are not in accordance with funding guidelines, the funder may require the Organization to reimburse a portion of the funds advanced. Management is of the opinion that no claims are forthcoming.

**12. Financial instruments**

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed. There has been no change to these risks from the prior year.

***Credit Risk***

Credit risk is the risk that a counterparty to a financial instrument fails to fulfil a commitment or obligation towards the Organization. Exposure to credit risk for this Organization is with respect to the amounts receivable (excluding sales tax recoverable), cash, guaranteed investment certificate and investments. The Organization assesses, on a continuous basis, accounts receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for. Cash, guaranteed investment certificate and investments are held with reputable financial institutions.

***Liquidity risk***

Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization is exposed to this risk through accounts payable and accrued liabilities and reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate line of credit to repay trade creditors.

***Market risk***

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates, and market prices of marketable securities measured at fair value and amortized cost will affect the Organization's income or the value of its holding of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising return on investment.

**12. Financial instruments** *(Continued from previous page)*

*Foreign exchange risk*

Foreign exchange risk results from the fluctuation and volatility of exchange rates. The Organization is exposed to foreign exchange risk with the marketable securities held in foreign currencies.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Organization is exposed to interest rate risk through the marketable securities held and the line of credit facility.

*Other price risk*

Other price risk is the risk that investments measured at fair value will fluctuate because of changes in the quoted prices of investments held. The Organization is exposed to market price risk through the marketable securities held.

*Carrying amount of financial assets by categories*

The Organizations assets measured at amortized cost totaling \$1,476,828 (2017 - \$948,879). The organizations financial assets measured at fair value total \$254,126 (2017 - \$193,323).

**13. Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation. This includes an amount of \$16,167 of rebates that was previously included in Donations and other income which has been moved to Other income for the Youth Exchange Program.

**Experiences Canada / Expériences Canada**  
**Schedule 1 - Schedule of Youth Exchange Program Expenses**

*For the year ended August 31, 2018*

	<b>2018</b>	<b>2017</b>
Program costs	<b>4,037,268</b>	4,463,891
Salaries and benefits	<b>625,799</b>	614,945
Occupancy	<b>71,303</b>	54,675
Travel	<b>62,273</b>	31,774
Computer supplies	<b>48,029</b>	45,989
Professional fees	<b>27,849</b>	8,267
Amortization	<b>27,748</b>	-
Office supplies	<b>25,232</b>	14,984
Advertising and promotion	<b>22,714</b>	21,076
Insurance	<b>15,001</b>	13,310
Communication	<b>14,500</b>	11,011
In-kind travel	<b>12,058</b>	17,467
Professional development	<b>11,944</b>	3,251
Bank fees and interest	<b>8,255</b>	9,646
Rentals	<b>3,702</b>	5,147
Communications	<b>2,678</b>	48
Professional memberships	<b>2,468</b>	1,862
	<b>5,018,821</b>	5,317,343

**Schedule 2 - Schedule of Canada 150 + Me Program Expenses**

*For the year ended August 31, 2018*

	<b>2018</b>	<b>2017</b>
Advertising and promotion	<b>10,942</b>	53,711
Office supplies	<b>10,183</b>	49,051
Program costs	<b>9,280</b>	725,141
Professional fees	<b>8,016</b>	1,746
Communications	<b>26</b>	6,058
Rentals	<b>4</b>	1,903
Salaries and benefits	-	173,988
In-kind travel	-	80,383
Travel	-	68,504
Consulting and recruitment	-	43,369
Computer supplies	-	19,057
Occupancy	-	9,257
Insurance	-	1,512
Professional memberships	-	1,028
Professional development	-	424
Bank fees and interest	-	188
	<b>38,451</b>	1,235,320

**Experiences Canada / Éxpériences Canada**  
**Schedule 3 - Schedule of Corporate Support Expenses**

*For the year ended August 31, 2018*

	<b>2018</b>	<b>2017</b>
Consulting and recruiting	<b>42,766</b>	-
Salaries and benefits	<b>41,928</b>	42,044
Relocation	<b>22,267</b>	-
Travel	<b>16,783</b>	10,774
Amortization	<b>12,470</b>	7,684
Management fees	<b>8,275</b>	7,224
Advertising and promotion	<b>6,191</b>	5,545
Professional fees	<b>3,368</b>	-
Office supplies	<b>2,760</b>	2,627
Communications	<b>1,295</b>	-
Professional memberships	<b>802</b>	92
Professional development	<b>557</b>	338
Computer supplies	<b>60</b>	-
Bank fees and interest	<b>46</b>	-
In-kind travel	-	1,380
Occupancy	-	15
Gain on foreign exchange	-	(3,726)
	<b>159,568</b>	<b>73,997</b>