
**CANADIAN ROOTS EXCHANGE /
ÉCHANGES RACINES CANADIENNES**

FINANCIAL STATEMENTS

MARCH 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Canadian Roots Exchange / Échanges Racines Canadiennes,

Qualified Opinion

We have audited the financial statements of Canadian Roots Exchange / Échanges Racines Canadiennes (the organization), which comprise the statement of financial position as at March 31, 2019, 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 of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Roots Exchange / Échanges Racines Canadiennes as at March 31, 2019 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

In common with many not-for-profit organizations, the organization derives revenue from donation revenue, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue 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 revenue, excess of revenue over expenses for the year, 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 *Auditor's 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.

Auditor's 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 your 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.

Pemylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

July 10, 2019
Toronto, Ontario

CANADIAN ROOTS EXCHANGE / ÉCHANGES RACINES CANADIENNES

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	2019	2018
ASSETS		
Current assets		
Cash	\$ 312,633	\$ 326,944
Marketable securities (note 3)	120,000	120,299
Grants receivable	31,000	60,947
Amounts receivable	27,167	35,136
HST rebate recoverable	33,905	36,948
Prepaid expenses	<u>9,095</u>	<u>3,025</u>
	<u>\$ 533,800</u>	<u>\$ 583,299</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 89,488	\$ 121,331
Payroll source deductions payable	15,442	20,263
Deferred contributions (note 4)	<u>177,867</u>	<u>238,726</u>
	<u>282,797</u>	<u>380,320</u>
Net assets		
Designated (note 5)	125,000	125,000
Unrestricted	<u>126,003</u>	<u>77,979</u>
	<u>251,003</u>	<u>202,979</u>
	<u>\$ 533,800</u>	<u>\$ 583,299</u>

Approved on behalf of the Board:

_____, Director

_____, Director

see accompanying notes

CANADIAN ROOTS EXCHANGE / ÉCHANGES RACINES CANADIENNES

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
REVENUE		
Grants (note 7)	\$ 1,283,179	\$ 878,001
Donations	171,815	115,640
Earned income	129,184	95,492
Interest	<u>6,240</u>	<u>4,259</u>
	<u>1,590,418</u>	<u>1,093,392</u>
EXPENSES		
Personnel	714,962	522,979
Participant travel and accommodation	355,255	153,757
Program	143,488	291,282
Rent	73,990	27,198
Communications and outreach	64,506	-
Staff travel and accommodation	50,635	27,682
Honoraria	48,400	13,510
Office and general	34,733	13,252
Relationship building	19,668	-
Fundraising	18,647	-
Professional fees	14,060	3,638
Insurance	<u>4,050</u>	<u>2,062</u>
	<u>1,542,394</u>	<u>1,055,360</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	48,024	38,032
Net assets, beginning of year	<u>202,979</u>	<u>164,947</u>
NET ASSETS, END OF YEAR	<u>\$ 251,003</u>	<u>\$ 202,979</u>

see accompanying notes

CANADIAN ROOTS EXCHANGE / ÉCHANGES RACINES CANADIENNES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 48,024	\$ 38,032
Net change in non-cash working capital items (see below)	<u>(62,634)</u>	<u>298,159</u>
Net cash generated from (used for) operating activities	(14,610)	336,191
INVESTING ACTIVITIES		
Marketable securities redeemed (purchased)	<u>299</u>	<u>(14,233)</u>
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(14,311)	321,958
Cash, beginning of year	<u>326,944</u>	<u>4,986</u>
CASH, END OF YEAR	<u>\$ 312,633</u>	<u>\$ 326,944</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Grants receivable	\$ 29,947	\$ (35,405)
Amounts receivable	7,969	57,999
HST rebate recoverable	3,043	(24,888)
Prepaid expenses	(6,070)	3,500
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(31,843)	56,803
Payroll source deductions payable	(4,821)	16,424
Deferred contributions	<u>(60,859)</u>	<u>223,726</u>
	<u>\$ (62,634)</u>	<u>\$ 298,159</u>

see accompanying notes

CANADIAN ROOTS EXCHANGE / ÉCHANGES RACINES CANADIENNES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

Canadian Roots Exchange / Échanges Racines Canadiennes (the organization) was incorporated without share capital under the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The Canadian Roots Exchange aims to bring together Indigenous and non-Indigenous youth through Indigenous based leadership, learning and reconciliation experiences for youth.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The organization follows the deferral method of revenue recognition for contributions.

Externally restricted contributions, including grants and restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions.

Unrestricted contributions, including donations and amounts received from fundraising, is recorded when received.

Contributed materials and services

Contributed materials and services are not recorded in the accounts.

Earned income

Earned income, which includes revenue from conference fees, workshops and participant fees is recognized in the period that services are delivered.

Interest income

Interest on marketable securities is recognized over the terms of these investments.

2. FINANCIAL INSTRUMENTS

The organization's financial instruments include cash, marketable securities, amounts receivable, grants receivable, accounts payable and accrued liabilities. Amounts receivable, grants receivable, accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. Marketable securities, which include guaranteed investment certificates, are recorded at cost plus accrued interest income, which approximates fair value.

3. MARKETABLE SECURITIES

Included in marketable securities are guaranteed investment certificates, which are issued by a major Canadian chartered bank, bear interest rate of 3.25% and mature in August 2020.

CANADIAN ROOTS EXCHANGE / ÉCHANGES RACINES CANADIENNES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

4. DEFERRED CONTRIBUTIONS

Deferred contributions are composed of the following:

	2019	2018
Laidlaw Foundation	\$ 90,000	\$ 90,000
Employment and Social Development Canada	66,155	-
Ontario Trillium Foundation	21,712	38,726
Affinity Credit Union	-	60,000
TD Bank	-	50,000
	<u>\$ 177,867</u>	<u>\$ 238,726</u>

Continuity of deferred contributions for the year is as follows:

Deferred contributions, beginning of year	\$ 238,726	\$ 15,000
Add cash received from grants and donations	1,394,135	1,217,367
Less grant and donation revenue recognized (note 7)	<u>(1,454,994)</u>	<u>(993,641)</u>
Deferred contributions, end of year	<u>\$ 177,867</u>	<u>\$ 238,726</u>

5. DESIGNATED NET ASSETS

The Board of Directors of the organization has designated net assets of \$125,000 for future strategic initiatives and to provide for unexpected financial contingencies (\$125,000 designated as at March 31, 2019).

6. LEASE COMMITMENT

The organization leases office space in Toronto, Ontario. Minimum annual payments under the terms of the leases are as follows:

2020	\$ 237,507
2021	314,827
2022	207,112
2023	185,569
2024	185,569
2025	<u>77,320</u>
	<u>\$ 1,207,904</u>

CANADIAN ROOTS EXCHANGE / ÉCHANGES RACINES CANADIENNES

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

7. GRANTS

Grant revenue recognized in the year was as follows:

	2019	2018
Federal government		
Canadian Heritage		
Youth Take Charge	\$ 100,000	\$ 100,000
Youth Forums	62,000	62,000
Inter-Action	-	48,370
Indigenous and Northern Affairs Canada	200,000	225,008
Employment and Social Development Canada	195,395	27,420
Health Canada	18,750	18,750
Provincial government		
Ontario Trillium Foundation	350,214	194,474
Community Initiatives Fund	30,000	-
Ontario Ministry of Advanced Education and Skills Development	-	35,000
Ontario Ministry of Indigenous Relations and Reconciliation	-	30,000
Kativik Regional Government	-	3,782
Multicultural Council of Saskatchewan	-	2,250
Municipal government		
City of Saskatoon	7,500	-
Other		
Laidlaw Foundation	125,000	-
National Indian Brotherhood Trust Fund	100,000	-
RBC Foundation	30,000	-
Toronto Foundation	15,449	-
Miziwe Biik Aboriginal Employment and Training	10,780	48,114
Inspirit Foundation	9,500	32,500
United Nations Association in Canada	-	33,333
Toronto Arts Council - ArtReach	-	15,000
Other	<u>28,591</u>	<u>2,000</u>
	<u>\$ 1,283,179</u>	<u>\$ 878,001</u>