Financial Statements of

SOCIETY FOR EDUCATIONAL VISITS AND EXCHANGES IN CANADA / SOCIÉTÉ ÉDUCATIVE DE VISITES ET D'ÉCHANGES AU CANADA

Year ended August 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Members of the Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada

We have audited the accompanying financial statements of the Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada, which comprise the statement of financial position as at August 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 our 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, we consider 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 the Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada as at August 31, 2015, and its results of 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 4, 2015

Ottawa, Canada

SOCIETY FOR EDUCATIONAL VISITS AND EXCHANGES IN CANADA / SOCIÉTÉ ÉDUCATIVE DE VISITES ET D'ÉCHANGES AU CANADA

Statement of Financial Position

August 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 1,369,837	$ 785,036
Accounts receivable	129,649	487,777
Prepaid expenses	120,955	169,792
	1,620,441	1,442,605
Capital assets (note 4)	15,812	20,642
	$ 1,636,253	$ 1,463,247
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 105,286	$ 126,065
Deferred revenue (note 5)	386,540	186,087
	491,826	312,152
Net assets:		
Unrestricted	503,615	505,453
Internally restricted (note 6):		
Wind-up reserve	475,000	475,000
Special measures reserve	100,000	100,000
Canada's 150th reserve	50,000	50,000
Invested in capital assets	15,812	20,642
	1,144,427	1,151,095
Economic dependence (note 2)		
	$ 1,636,253	$ 1,463,247

See accompanying notes to financial statements.

On behalf of the Board:

_______________________________ Director

_______________________________ Director

SOCIETY FOR EDUCATIONAL VISITS AND EXCHANGES IN CANADA / SOCIÉTÉ ÉDUCATIVE DE VISITES ET D'ÉCHANGES AU CANADA

Statement of Operations

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Youth Exchanges program:		
Canadian Heritage contribution	$ 4,408,028	$ 4,518,291
Other income	269,252	309,663
	4,677,280	4,827,954
Donations and other income	92,638	76,881
	4,769,918	4,904,835
Expenses:		
Youth Exchanges program	4,685,908	4,827,930
Corporate support	90,678	7,094
	4,776,586	4,835,024
Excess (deficiency) of revenue over expenses	$ (6,668)	$ 69,811

See accompanying notes to financial statements.

SOCIETY FOR EDUCATIONAL VISITS AND EXCHANGES IN CANADA / SOCIÉTÉ ÉDUCATIVE DE VISITES ET D'ÉCHANGES AU CANADA

Statement of Changes in Net Assets

Year ended August 31, 2015, with comparative information for 2014

	Internally restricted						
	Invested in capital assets	Wind-up reserve	Special measures reserve	Canada's 150th reserve	Unrestricted	2015 Total	2014 Total
Balance, beginning of year	$ 20,642	$ 475,000	$ 100,000	$ 50,000	$ 505,453	$ 1,151,095	$ 1,081,284
Excess (deficiency) of revenue over expenses	–	–	–	–	(6,668)	(6,668)	69,811
Acquisition of capital assets	1,401	–	–	–	(1,401)	–	–
Amortization of capital assets	(6,231)	–	–	–	6,231	–	–
Balance, end of year	$ 15,812	$ 475,000	$ 100,000	$ 50,000	$ 503,615	$ 1,144,427	$ 1,151,095

See accompanying notes to financial statements.

SOCIETY FOR EDUCATIONAL VISITS AND EXCHANGES IN CANADA / SOCIÉTÉ ÉDUCATIVE DE VISITES ET D'ÉCHANGES AU CANADA

Statement of Cash Flows

Year ended August 31, 2015, with comparative information 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (6,668)	$ 69,811
Amortization of capital assets, which does not involve cash	6,231	7,224
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	358,128	(236,661)
Decrease (increase) in prepaid expenses	48,837	(4,794)
Increase (decrease) in accounts payable and accrued liabilities	(20,779)	11,491
Increase (decrease) in deferred revenue	200,453	(256,835)
	586,202	(409,764)
Investing activities:		
Acquisition of capital assets	(1,401)	(10,656)
Increase (decrease) in cash and cash equivalents	584,801	(420,420)
Cash and cash equivalents, beginning of year	785,036	1,205,456
Cash and cash equivalents, end of year	$ 1,369,837	$ 785,036
Cash and temporary investments consist of:		
Cash on deposit	$ 1,369,837	$ 393,984
Cashable guaranteed investment certificates	–	391,052
	$ 1,369,837	$ 785,036

See accompanying notes to financial statements.

Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au 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 the Canada Corporations Act and was continued under the 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.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and include the following significant accounting policies:

(a) Basis of presentation:

The Organization follows the deferral method of accounting for contributions for not-for-profit organizations.

(b) Revenue recognition:

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.

(c) Financial instruments:

(i) Cash and cash equivalents:

Cash and cash equivalents are designated as held for trading and are measured at fair value. Realized investment income and unrealized gains or losses from the change in fair value are recorded in the statement of operations. Fair value is determined at quoted market prices. Sales and purchases are recorded on the settlement date. Transaction costs related to the acquisition of cash equivalents are expensed.

(ii) Other financial instruments:

The Organization has classified accounts receivable as loans and receivables and accounts payable and accrued liabilities as other liabilities.

Upon initial recognition, these financial assets and liabilities are measured at fair value. Subsequent to initial recognition, these financial assets and liabilities are measured at amortized cost using the effective interest method of amortization.

1. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a capital asset no longer contributes to the Organization’s ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized over their estimated useful lives using the straight-line basis at the following annual rates:

Asset	Useful life
Furniture and fixtures	7 years
Computer equipment	3 years
Computer software	3 years
Leasehold improvements	5 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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Contributed materials and services:

Contributed materials and services which are used in the normal course of the Organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated. 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.

(f) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

2. 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 2009, the Organization negotiated a five-year agreement with the federal government that ended on March 31, 2014. In fiscal 2013, the Organization negotiated a two-year agreement with the federal government that ends on March 31, 2016.

3. Cash and cash equivalents:

The Organization has cash equivalents of $Nil (2014 - $391,052) which are invested in cashable guaranteed investment certificates. The fair value of the Organization's investments at August 31, 2015 approximates their carrying value. Interest was earned at rates of 0.90% during 2015 (2014 - 0.90%). Cash equivalents include $Nil (2014 - $391,052), which is restricted as to its use as set out in note 6.

4. Capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Furniture and fixtures	$ 29,484	$ 18,589	$ 10,895	$ 12,855
Computer equipment	56,710	54,865	1,845	3,690
Computer software	86,753	86,753	–	–
Leasehold improvements	5,121	2,049	3,072	4,097
	$ 178,068	$ 162,256	$ 15,812	$ 20,642

Cost and accumulated amortization of capital assets at August 31, 2014 amounted to $176,666 and $156,024, respectively.

During the year, the Organization disposed of assets with a cost of $Nil (2014 - $93,199) and accumulated amortization of $Nil (2014 - $34,157).

5. Deferred revenue:

Deferred revenue is comprised of:

	2015	2014
Federal government grants:		
Canadian Heritage - contribution agreement:		
Youth Exchanges Program	$ 291,390	$ 143,393
Youth Saluting Youth	–	2,044
Other grants (non-federal government)	33,000	–
Membership fees	16,900	9,250
Program participation fees	45,250	31,400
	$ 386,540	$ 186,087

6. Internally imposed restrictions:

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

(a) 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.

(b) 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.

(c) Canada’s 150^{th} reserve:

A reserve has been established to provide funds for potential project costs related to Canada’s 150^{th} celebrations.

7. Credit facility:

The Organization has a $100,000 revolving line of credit which is unused at year end, with interest at prime plus 1%, due on demand and is secured by a general security agreement providing a first charge over all assets.

8. Lease commitments:

The Organization entered into an operating lease contract for the rental of its office premises, which commenced May 1, 2013 and expires April 30, 2018. It also has two leases for its photocopier and mailing machine that expire on February 28, 2019 and November 30, 2016 respectively.

Minimum lease payments for the Organization's office premises and equipment until February 28, 2019 are as follows:

2016	$ 63,298
2017	59,449
2018	34,560
2019	1,134
	$ 158,441

9. Capital disclosures:

The Organization considers its capital to consist of its net assets and the Organization's objectives when managing its capital are to maintain its flexibility between:

- enabling it to operate efficiently;
- providing liquidity for growth opportunities;
- generating predictable cash flows for continuing operations; and
- having funds available for unexpected increases in expenses or decreases in revenue.

The Organization manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria; but rather promotes year over year sustainable surpluses in order to maintain operations.

The Organization is not subject to any externally imposed capital requirements. The Organization's approach to capital management remains unchanged from the prior year.

10. Financial instruments:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to the amounts receivable and cash. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for.

(b) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the risk exposures from 2014.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Organization’s income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

Foreign exchange risk results from the fluctuation and volatility of exchange rates.

The Organization is not exposed to foreign exchange risk.

(ii) 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 not subject to significant interest rate risk.