

Financial Statements of

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

Years ended August 31, 2013 and 2012



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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

### **Report on the Financial Statements**

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 statements of financial position as at August 31, 2013, August 31, 2012 and September 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended August 31, 2013 and August 31, 2012, 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 audits. We conducted our audits 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 in our audits 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, 2013, August 31, 2012 and September 1, 2011, and its results of operations, changes in net assets, and its cash flows for the years ended August 31, 2013 and August 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

**Report on Other Legal Requirements**

As required by the Canada Corporations Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

November 6, 2013

Ottawa, Canada

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

Statements of Financial Position

August 31, 2013, August 31, 2012 and September 1, 2011

	August 31, 2013	August 31, 2012	September 1, 2011
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (note 3)	\$ 1,205,456	\$ 887,252	\$ 1,078,333
Accounts receivable	251,116	259,263	228,975
Prepaid expenses	164,998	33,767	59,551
	1,621,570	1,180,282	1,366,859
Capital assets (note 4)	17,210	40,506	64,571
	\$ 1,638,780	\$ 1,220,788	\$ 1,431,430

## Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 114,574	\$ 31,482	\$ 78,825
Deferred revenue (note 5)	442,922	234,695	423,322
	557,496	266,177	502,147
Net assets:			
Unrestricted	673,022	523,053	474,219
Internally restricted (note 6):			
Contingency reserve	332,052	332,052	332,047
Bursary reserve	59,000	59,000	58,446
Invested in capital assets	17,210	40,506	64,571
	1,081,284	954,611	929,283

Economic dependence (note 2)

	\$ 1,638,780	\$ 1,220,788	\$ 1,431,430
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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**

Statements of Operations

Years ended August 31, 2013 and 2012

	2013	2012
Revenue:		
Youth Exchanges program:		
Canadian Heritage contribution	\$ 4,497,705	\$ 4,234,675
Other income	182,526	219,598
	<u>4,680,231</u>	<u>4,454,273</u>
Forums, roundtables and other projects:		
Youth Saluting Youth	-	107
Donations and other income	237,149	120,201
	<u>4,917,380</u>	<u>4,574,581</u>
Expenses:		
Youth Exchanges program	4,680,231	4,454,198
Forums, roundtables and other projects:		
Youth Saluting Youth	-	107
Corporate support	110,476	94,948
	<u>4,790,707</u>	<u>4,549,253</u>
<b>Excess of revenue over expenses</b>	<b>\$ 126,673</b>	<b>\$ 25,328</b>

See accompanying notes to financial statements.

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

Statements of Changes in Net Assets

**DRAFT**

Years ended August 31, 2013 and 2012

	Internally restricted			Unrestricted	Total
	Invested in capital assets	Contingency reserve	Bursary reserve		
August 31, 2013					
Balance, beginning of year	\$ 40,506	\$ 332,052	\$ 59,000	\$ 523,053	\$ 954,611
Excess of revenue over expenses	-	-	-	126,673	126,673
Acquisition of capital assets	11,798	-	-	(11,798)	-
Amortization of capital assets	(35,094)	-	-	35,094	-
Balance, end of year	\$ 17,210	\$ 332,052	\$ 59,000	\$ 673,022	\$ 1,081,284

	Internally restricted			Unrestricted	Total
	Invested in capital assets	Contingency reserve	Bursary reserve		
August 31, 2012					
Balance, beginning of year	\$ 64,571	\$ 332,047	\$ 58,446	\$ 474,219	\$ 929,283
Excess of revenue over expenses	-	-	-	25,328	25,328
Interest income internally restricted to bursary reserve	-	5	554	(559)	-
Acquisition of capital assets	1,029	-	-	(1,029)	-
Amortization of capital assets	(25,094)	-	-	25,094	-
Balance, end of year	\$ 40,506	\$ 332,052	\$ 59,000	\$ 523,053	\$ 954,611

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended August 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 126,673	\$ 25,328
Amortization of capital assets, which does not involve cash	35,094	25,094
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	8,147	(30,288)
Decrease (increase) in prepaid expenses	(131,231)	25,784
Increase (decrease) in accounts payable and accrued liabilities	83,092	(47,343)
Increase (decrease) in deferred revenue	208,227	(188,627)
	<u>330,002</u>	<u>(190,052)</u>
Investing activities:		
Acquisition of capital assets	(11,798)	(1,029)
Increase (decrease) in cash and cash equivalents	318,204	(191,081)
Cash and cash equivalents, beginning of year	887,252	1,078,333
Cash and cash equivalents, end of year	<u>\$ 1,205,456</u>	<u>\$ 887,252</u>
Cash and temporary investments consist of:		
Cash on deposit	\$ 814,404	\$ 493,978
Cashable guaranteed investment certificates	391,052	393,274
	<u>\$ 1,205,456</u>	<u>\$ 887,252</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

Years ended August 31, 2013 and 2012

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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 under the Canada Corporations Act and as such is exempt from income taxes. 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 programs of exploration in language and culture.

On September 1, 2012, the Organization adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in not-for-profit standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is September 1, 2011 and all comparative information provided has been presented by applying not-for-profit standards.

There were no adjustments to net assets as at September 1, 2011 or to excess of revenue over expenses for the year ended August 31, 2012 as a result of the transition to Canadian accounting standards for not-for-profit organizations.

## **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 CICA Handbook 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.



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

Notes to Financial Statements (continued)

Years ended August 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

### (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.

### (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

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.

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

Notes to Financial Statements (continued)

Years ended August 31, 2013 and 2012

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## **1. Significant accounting policies (continued):**

### **(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) Expense allocations:**

The Organization delivers Youth Exchanges Canada and other programs. The costs of each program include the costs of personnel, travel and other expenses that are directly related to providing the program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and each of its programs.

The Organization allocates certain of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. General support expenses are identified as Corporate support in the statement of operations and are allocated based on the number of full-time employees working on each program throughout the year. Corporate support expenses allocated to programs include items such as rent, amortization, insurance, computer support, audit fees, telephone and some salaries and benefits of support staff.

### **(g) 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 ends on March 31, 2014.

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

Notes to Financial Statements (continued)

Years ended August 31, 2013 and 2012

### 3. Cash and cash equivalents:

The Organization has cash equivalents of \$391,052 (August 31, 2012 - \$393,274; September 1, 2011 - \$394,349) which are invested in cashable guaranteed investment certificates. The fair value of the Organization's investments at August 31, 2013 approximates their carrying value. Interest was earned at rates of 0.90% during 2013 (2012 - 1.0%). Cash equivalents include \$391,052 (August 31, 2012 - \$391,052; September 1, 2011 - \$390,493), which is restricted as to its use as set out in note 6.

### 4. Capital assets:

August 31, 2013	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 28,082	\$ 11,215	\$ 16,867
Computer equipment	85,332	84,989	343
Computer software	86,753	86,753	-
	\$ 200,167	\$ 182,957	\$ 17,210

August 31, 2012	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 79,484	\$ 55,654	\$ 23,830
Computer equipment	115,331	98,655	16,676
Computer software	86,753	86,753	-
	\$ 281,568	\$ 241,062	\$ 40,506

September 1, 2011	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 79,484	\$ 46,893	\$ 32,591
Computer equipment	114,303	82,323	31,980
Computer software	86,753	86,753	-
	\$ 280,540	\$ 215,969	\$ 64,571

During the year, the Organization disposed of assets with a cost of \$93,199 (August 31, 2012 - \$Nil) and accumulated amortization of \$93,199 (August 31, 2012 - \$Nil).

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

Notes to Financial Statements (continued)

Years ended August 31, 2013 and 2012

## 5. Deferred revenue:

Deferred revenue is comprised of:

	August 31, 2013	August 31, 2012	September 1, 2011
Federal government grants:			
Canadian Heritage - contribution agreement:			
Youth Exchanges Program	\$ 419,878	\$ 222,650	\$ 407,961
Youth Saluting Youth	2,044	2,044	2,151
Membership fees	9,750	9,051	8,450
Program participation fees	11,250	950	4,760
	<b>\$ 442,922</b>	<b>\$ 234,695</b>	<b>\$ 423,322</b>

## 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) Contingency reserve:

The Organization's Board of Directors has established a contingency reserve by internally restricting funds to meet any claim which falls outside of existing insurance policy coverage or for other unexpected events.

### (b) Bursary reserve:

A bursary 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 bursary reserve as applicable.

## 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.

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

Notes to Financial Statements (continued)

Years ended August 31, 2013 and 2012

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## 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 March 31, 2015 and November 30, 2016 respectively.

Minimum lease payments for the Organization's office premises and equipment until April 30, 2018 are as follows:

2014	\$	61,877
2015		53,754
2016		58,121
2017		54,272
2018		52,989

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\$ 281,013

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## 9. Pension plans:

The Organization had a defined contribution pension plan that covered most full-time employees which was deregistered on March 1, 2012. Contributions to the plan were equal to the employee's contributions and were based on 6% of the employee's earnings up to the year's maximum pensionable earnings and 7.5% of employee's earnings in excess of the year's maximum pensionable earnings. For 2013, pension expense for the defined contribution plan was \$Nil (2012 - \$15,200).

After March 1, 2012, the Organization now has a group RRSP. Contributions to the group RRSP are equal to the employee's contributions and are based on 6% of the employee's earning up to the year's maximum pensionable earning and 7.5% of employee's earning in excess of the year's maximum pensionable earning. For 2013, expense for the group RRSP was \$29,614 (2012 - \$11,311).

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

Notes to Financial Statements (continued)

Years ended August 31, 2013 and 2012

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## 10. 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.

## 11. Allocation of expenses:

Corporate support expenses of \$608,691 (2012 - \$615,693) have been allocated as follows:

	2013	2012
Youth Exchanges program	\$ 608,691	\$ 603,743
Rendez-vous Canada program	–	11,950
	<u>\$ 608,691</u>	<u>\$ 615,693</u>

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

Notes to Financial Statements (continued)

Years ended August 31, 2013 and 2012

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## **12. 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 2012.

### **(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.

