

Experiences Canada / Éperiences Canada
Financial Statements
August 31, 2017

Experiences Canada / *Expériences Canada*

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For the year ended August 31, 2017

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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, 2017, 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, 2017 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 1, 2017

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants


MNP LLP

Experiences Canada / *É*xperiences Canada Statement of Financial Position


As at August 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents <i>(Note 3)</i>	85,495	598,305
Accounts receivables <i>(Note 4)</i>	366,323	287,252
Guaranteed investment certificate <i>(Note 5)</i>	21,188	75,768
Prepaid expenses	222,371	189,258
	695,377	1,150,583
Capital assets <i>(Note 6)</i>	118,470	13,699
Investments <i>(Note 7)</i>	669,196	595,289
	1,483,043	1,759,571
Liabilities		
Current		
Accounts payable and accrued liabilities	330,567	188,440
Deferred revenue <i>(Note 8)</i>	78,100	452,173
	408,667	640,613
Commitments <i>(Note 9)</i>		
Net Assets		
Invested in capital assets <i>(Note 10)</i>	118,470	13,699
Wind-up reserve <i>(Note 10)</i>	475,000	475,000
Special measures reserve <i>(Note 10)</i>	100,000	100,000
Canada's 150th reserve <i>(Note 10)</i>	-	119,153
Unrestricted <i>(Note 10)</i>	380,906	411,106
	1,074,376	1,118,958
	1,483,043	1,759,571

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Experiences Canada / Éxpériences Canada
Statement of Operations
For the year ended August 31, 2017

	2017	2016
Revenues		
Youth Exchanges program		
Canadian Heritage contribution	4,656,981	4,530,248
Project fees	546,300	494,700
Other income	60,428	76,956
	5,263,709	5,101,904
Canada 150 + Me program		
Canadian Heritage contribution	720,724	179,276
Donations and other income	583,042	195,469
	6,567,475	5,476,649
Expenses		
Youth Exchanges program <i>(Schedule 1)</i>	5,317,343	5,125,581
Canada 150 + Me program <i>(Schedule 2)</i>	1,235,320	216,031
Corporate support <i>(Schedule 3)</i>	73,997	178,459
	6,626,660	5,520,071
Deficiency of revenue over expenses before other items	(59,185)	(43,422)
Other items		
Unrealized gain on investments due to change in fair value	17,787	17,953
Realized loss on disposal of investments	(3,184)	-
Deficiency of revenue over expenses	(44,582)	(25,469)

The accompanying notes are an integral part of these financial statements

Experiences Canada / Éperiences Canada
Statement of Changes in Net Assets

For the year ended August 31, 2017

	<i>Invested in capital assets</i>	<i>Wind-up reserve</i>	<i>Special measures reserve</i>	<i>Canada's 150th reserve</i>	<i>Unrestricted</i>	<i>2017</i>	<i>2016</i>
Net assets, beginning of year	13,699	475,000	100,000	119,153	411,106	1,118,958	1,144,427
Deficiency of revenue over expenses	-	-	-	-	(44,582)	(44,582)	(25,469)
Purchase of capital assets	112,455	-	-	-	(112,455)	-	-
Amortization of capital assets	(7,684)	-	-	-	7,684	-	-
Interfund transfer <i>(Note 10)</i>	-	-	-	(119,153)	119,153	-	-
Net assets, end of year	118,470	475,000	100,000	-	380,906	1,074,376	1,118,958

The accompanying notes are an integral part of these financial statements

Experiences Canada / Éxpériences Canada
Statement of Cash Flows
For the year ended August 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(44,582)	(25,469)
Amortization of capital assets	7,684	8,193
Unrealized gain on investments due to change in fair value	(17,787)	(17,953)
Accrued interest on investments	(12,751)	(4,677)
Donated shares measured at fair value	(20,075)	(15,935)
Realized loss on sale of investments	3,184	-
	(84,327)	(55,841)
Changes in working capital accounts		
Accounts receivable	(79,071)	(157,603)
Prepaid expenses	(33,112)	(68,301)
Accounts payable and accrued liabilities	142,127	83,151
Deferred revenue	(374,073)	65,633
	(428,456)	(132,961)
Investing		
Purchase of capital assets	(112,455)	(6,080)
Purchase of investments	(195,690)	(648,426)
Proceeds on disposal of investments	223,791	15,935
	(84,354)	(638,571)
Decrease in cash and cash equivalents	(512,810)	(771,532)
Cash and cash equivalents, beginning of year	598,305	1,369,837
Cash and cash equivalents, end of year	85,495	598,305
Cash resources are composed of:		
Cash	85,495	471,255
Cash equivalents	-	127,050
	85,495	598,305

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, 2017

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:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

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:

	Method	Useful life
Computer equipment	straight-line	3 years
Computer software	straight-line	3 years
Furniture and fixtures	straight-line	7 years
Leasehold improvements	straight-line	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. 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.

Amounts received or paid in a foreign currency are translated to Canadian funds at the foreign exchange rate on the date of the transaction.

Experiences Canada / *É*xperiences Canada
Notes to the Financial Statements
For the year ended August 31, 2017

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 \$99,230 (2016 - \$65,486) have been recorded in donations and other income in the Statement of Operations. Correspondingly, contributed materials expenditures of \$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 and cash equivalents, guaranteed investment certificate, accounts receivables 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, transactions costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost.

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 and accruals for receivables and payables. 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.

3. Cash and cash equivalents

Cash and cash equivalents is made up of cash held in the bank accounts as well as cash and cash equivalents held in the investment account.

	2017	2016
Cash	85,495	471,255
Cash equivalents	-	127,050
	85,495	598,305

Experiences Canada / Éperiences Canada
Notes to the Financial Statements
For the year ended August 31, 2017

4. Accounts receivable

	2017	2016
Accounts receivable	145,621	42,698
Canadian Heritage holdback receivable	21,420	112,500
Sales tax recoverable	199,282	132,054
	366,323	287,252

5. Guaranteed investment certificate

The guaranteed investment certificate bears interest at 1.65% (2016 - 1.85%) per annum and matures February 2018 (2016 - February 2017).

6. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>	<i>Net book value</i>
Computer equipment	66,243	61,802	4,441	3,829
Computer software	194,904	86,753	108,151	-
Furniture and fixtures	30,336	25,482	4,854	7,822
Leasehold improvements	5,121	4,097	1,024	2,048
	296,604	178,134	118,470	13,699

Capital asset acquisitions during the year ended August 31, 2017 amounted to \$112,455 (2016 - \$6,080). There were no disposals of capital assets or accumulated amortization in the current or prior year.

Included in computer software are assets under development of \$108,151 (2016 - \$Nil) for the development of a new customer relationship database. These costs have been capitalized in the current year however no amortization has been taken on these costs as the software is not in use.

Cost and accumulated amortization of capital assets at August 31, 2016 amounted to \$184,148 and \$170,449 respectively.

7. Investments

	2017	2016
Measured at amortized cost		
Fixed income investments and accrued interest (cost - \$459,400; 2016 - \$333,000)	475,873	336,910
Measured at fair value:		
Canadian equity (cost - \$123,119; 2016 - \$170,134)	142,379	182,241
Foreign equity (cost - \$39,158; 2016 - \$70,292)	50,944	76,138
	193,323	258,379
	669,196	595,289

Experiences Canada / Éperiences Canada
Notes to the Financial Statements
For the year ended August 31, 2017

8. Deferred revenue

Deferred contributions consist of membership and program participation fees that relate to future travel. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. At year end the balance of deferred revenue consisted of the following amounts:

	2017	2016
Program participation fees	61,700	64,000
Membership fees	16,400	20,550
Canadian Heritage Contribution	-	327,623
Other grants (non-federal government)	-	40,000
	78,100	452,173

9. Commitments

The Organization has entered into an operating lease contract for the rental of its office premises, which commenced May 1, 2013 and expires April 30, 2018. Thereafter, the Organization has entered into a new operating lease contract for the rental of new office premises, which commences 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:

2018	57,857
2019	71,724
2020	71,769
2021	72,982
2022	74,247
Thereafter, to April 30, 2028	472,576
	821,155

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 new lease commencing on May 1, 2018 and will expire April 30, 2028.

10. 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.

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.

Experiences Canada / Éxpériences Canada
Notes to the Financial Statements
For the year ended August 31, 2017

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

Canada's 150th reserve:

A reserve has been established to provide funds for potential project costs related to Canada's 150th celebrations. During the current year, the balance in this fund was transferred to the unrestricted fund to support the Canada's 150th project expenditures of the Organization. This transfer was approved by the board of directors.

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.

11. 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, 2017 (2016 - \$Nil).

12. 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 ends October 31, 2017 for total funding over the three 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.

13. 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, cash and cash equivalents, 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 and cash equivalents, 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.

Experiences Canada / Éxpériences Canada
Notes to the Financial Statements
For the year ended August 31, 2017

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 \$948,879 (2016 - \$1,166,181). The organizations financial assets measured at fair value, less any reduction for impairment, total \$193,323 (2016 - \$258,379).

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation. Guaranteed investment certificate has been reclassified from cash and cash equivalents.

Experiences Canada / Éperiences Canada
Schedule 1 - Schedule of Youth Exchange Program Expenses
For the year ended August 31, 2017

	2017	2016
Program costs	4,463,891	4,250,949
Salaries and benefits	614,945	609,156
Occupancy	54,675	55,280
Computer supplies	45,989	31,923
Travel	31,774	34,084
Advertising and promotion	21,076	35,478
In-kind travel	17,467	-
Office supplies	14,984	33,221
Insurance	13,310	14,076
Communication	11,011	13,235
Bank fees and interest	9,646	8,536
Professional fees	8,267	15,151
Rentals	5,147	8,482
Professional development	3,251	4,206
Professional memberships	1,862	1,252
Communications	48	-
Consultant and recruitment	-	10,552
	5,317,343	5,125,581

Schedule 2 - Schedule of Canada 150 + Me Program Expenses
For the year ended August 31, 2017

	2017	2016
Program costs	725,141	22,386
Salaries and benefits	173,988	63,417
In-kind travel	80,383	-
Travel	68,504	33,424
Advertising and promotion	53,711	45,769
Office supplies	49,051	21,991
Consulting and recruitment	43,369	7,358
Computer supplies	19,057	3,669
Occupancy	9,257	9,390
Communications	6,058	2,837
Rentals	1,903	1,558
Professional fees	1,746	1,480
Insurance	1,512	1,509
Professional memberships	1,028	299
Professional development	424	754
Bank fees and interest	188	190
	1,235,320	216,031

Schedule 3 - Schedule of Corporate Support Expenses

For the year ended August 31, 2017

	2017	2016
Salaries and benefits	42,044	31,954
Travel	10,774	5,029
Amortization	7,684	8,193
Management fees	7,224	4,500
Advertising and promotion	5,545	17,532
Office supplies	2,627	712
In-kind travel	1,380	65,486
Professional development	338	2,394
Professional memberships	92	824
Occupancy	15	483
Professional fees	-	6,259
Computer supplies	-	2,220
Communications	-	376
Design	-	29,007
Consultant and recruiting	-	3,019
Loss (gain) on foreign exchange	(3,726)	471
	73,997	178,459