

Experiences Canada / Éperiences Canada
(formerly / anciennement SEVEC)
Financial Statements
August 31, 2016

Experiences Canada
(formerly SEVEC)
Contents

For the year ended August 31, 2016

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

Independent Auditors' Report

To the Members of Experiences Canada (formerly SEVEC);

We have audited the accompanying financial statements of Experiences Canada (formerly SEVEC), which comprise the statement of financial position as at August 31, 2016, 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 (formerly SEVEC) as at August 31, 2016 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.

Other Matter

The financial statements of Experiences Canada (formerly SEVEC) for the year ended August 31, 2015 were audited by another firm of Chartered Professional Accountants who expressed an unqualified opinion on those statements on November 4, 2015.

Ottawa, Ontario

November 2, 2016

MNP LLP

Chartered Professional Accountants

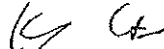
Licensed Public Accountants

MNP
LLP


Experiences Canada
(formerly SEVEC)
Statement of Financial Position
As at August 31, 2016

	2016	2015
Assets		
Current		
Cash and cash equivalents	674,073	1,369,837
Accounts receivables (Note 4)	287,252	129,649
Prepaid expenses	189,257	120,955
	1,150,582	1,620,441
Capital assets (Note 5)	13,699	15,812
Investments (Note 6)	595,289	-
	1,759,570	1,636,253
Liabilities		
Current		
Accounts payable and accrued liabilities	188,439	105,286
Deferred revenue	452,173	386,540
	640,612	491,826
Commitments (Note 10)		
Net Assets		
Unrestricted	411,106	503,615
Internally restricted (Note 8)		
Wind-up reserve	475,000	475,000
Special measures reserve	100,000	100,000
Canada 150th reserve	119,153	50,000
Invested in capital assets	13,699	15,812
	1,759,570	1,636,253

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Experiences Canada
(formerly SEVEC)
Statement of Operations
For the year ended August 31, 2016

	2016	2015
Revenue		
Youth Exchanges program		
Canadian Heritage contribution	4,709,524	4,408,028
Project fees	494,700	232,600
Other income	76,956	36,652
	5,281,180	4,677,280
Donations and other income	129,983	92,638
	5,411,163	4,769,918
Expenses		
Youth Exchanges program <i>(Schedule 1)</i>	5,125,581	4,685,908
Canada 150 + Me project <i>(Schedule 2)</i>	216,031	-
Corporate support <i>(Schedule 3)</i>	112,973	90,678
	5,454,585	4,776,586
Deficiency of revenue over expenses before other items	(43,422)	(6,668)
Other items		
Unrealized gain on investments due to change in fair value	17,953	-
Deficiency of revenue over expenses	(25,469)	(6,668)

The accompanying notes are an integral part of these financial statements

Experiences Canada
 (formerly SEVEC)
Statement of Changes in Net Assets
For the year ended August 31, 2016

	<i>Invested in capital assets</i>	<i>Wind-up reserve</i>	<i>Special measures reserve</i>	<i>Canada's 150ft reserve</i>	<i>Unrestricted</i>	<i>2016</i>	<i>2015</i>
Net assets, beginning of year	15,812	475,000	100,000	50,000	503,616	1,144,427	1,151,096
Deficiency of revenue over expenses	-	-	-	(30,847)	6,378	(25,469)	(6,668)
Purchase of capital assets	8,080	-	-	-	(6,080)	-	-
Amortization of capital assets	(8,193)	-	-	-	8,193	-	-
Interfund transfer	-	-	-	100,000	(100,000)	-	-
Net assets, end of year	13,699	475,000	100,000	119,153	411,106	1,118,958	1,144,428

The accompanying notes are an integral part of these financial statements

Experiences Canada
(formerly SEVEC)
Statement of Cash Flows
For the year ended August 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	(25,469)	(6,668)
Amortization of capital assets	8,193	6,231
Unrealized gain on investments due to change in fair value	(17,953)	-
Accrued interest on investments	(3,910)	-
Donated shares measured at fair value	(15,936)	-
	(55,074)	(437)
Changes in working capital accounts		
Accounts receivable	(157,603)	358,128
Prepaid expenses	(68,301)	48,837
Accounts payable and accrued liabilities	83,152	(20,779)
Deferred revenue	65,633	200,453
	(132,193)	586,202
Investing		
Purchase of capital assets	(6,080)	(1,401)
Purchase of investments	(573,426)	-
Proceeds on disposal of investments	16,935	-
	(563,571)	(1,401)
Increase (decrease) in cash and cash equivalents	(695,764)	584,801
Cash and cash equivalents, beginning of year	1,369,837	785,036
Cash and cash equivalents, end of year	674,073	1,369,837
Cash resources are composed of:		
Cash	471,255	1,369,837
Short term investments	202,818	-
	674,073	1,369,837

The accompanying notes are an integral part of these financial statements

Experiences Canada
(formerly SEVEC)
Notes to the Financial Statements
For the year ended August 31, 2016

1. Incorporation and nature of the organization

Experiences Canada (formerly / anciennement SEVEC), 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 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.

Amounts received or paid in a foreign currency are translated to Canadian funds at the historical rate.

Experiences Canada
(formerly SEVEC)
Notes to the Financial Statements
For the year ended August 31, 2016

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. 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 cost or 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 and accounts receivables.

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

Financial assets measured at fair value include investments.

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 cost or amortized cost.

Financial asset impairment

Financial assets measured at amortized cost and 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 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 short term investments held in the investment account.

	2016	2015
Cash	471,255	1,369,837
Short term investments	202,818	-
	674,073	1,369,837

Experiences Canada
(formerly SEVEC)
Notes to the Financial Statements
For the year ended August 31, 2016

4. Accounts receivable

	2016	2015
Accounts receivable	174,752	129,649
Canadian Heritage holdback receivable	112,500	-
	287,252	129,649

Included in the accounts receivable are amounts due from government agencies of \$132,054 (2015 - \$109,046) for sales tax receivable.

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>	<i>2015 Net book value</i>
Computer equipment	62,453	58,624	3,829	1,846
Computer software	86,753	86,753	-	-
Furniture and fixtures	29,821	21,999	7,822	10,894
Leasehold improvements	5,121	3,073	2,048	3,072
	184,148	170,449	13,699	15,812

Capital asset acquisitions during the year-ended August 31, 2016 amounted to \$6,080 (2015 - \$Nil). There were no disposals of capital assets or accumulated amortized in the current or prior year.

Cost and accumulated amortization of capital assets at August 31, 2015 amounted to \$178,068 and \$162,256 respectively.

6. Investments

	2016	2015
Measured at amortized cost		
Fixed income investments (cost - \$333,000; 2015 - \$Nil)	336,910	-
Measured at fair value:		
Canadian equity (cost - \$170,134; 2015 - \$Nil)	182,241	-
Foreign equity (\$70,292; 2015 - \$Nil)	76,138	-
	258,379	-
	595,289	-

Experiences Canada
(formerly SEVEC)
Notes to the Financial Statements
For the year ended August 31, 2016

7. **Deferred revenue**

Deferred contributions consist of unspent contributions externally restricted for use on Youth Exchange Programs. 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:

	2016	2015
Canadian Heritage Contribution	329,904	291,390
Other grants (non-federal government)	40,000	33,000
Membership fees	1,700	16,900
Program participation fees	82,850	45,250
	454,454	386,540

8. **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.

Canada's 150th reserve:

A reserve has been established to provide funds for potential project costs related to Canada's 150th celebrations.

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.

9. **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, 2016 (2015 - \$Nil).

Experiences Canada
(formerly SEVEC)
Notes to the Financial Statements
For the year ended August 31, 2016

10. 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. 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:

2017	60,178
2018	35,300
2019	1,134
	<hr/>
	96,612

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 2013, the Organization negotiated a two-year agreement with the federal government that ended on March 31, 2016 for annual funding of \$4,500,000. 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.

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 since 2015.

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 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. There has been no change to the credit risk from the prior period.

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. There has been no change to the liquidity risk from the prior period.

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 costs 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
(formerly SEVEC)
Notes to the Financial Statements
For the year ended August 31, 2016

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.

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 amortize cost totaling \$1,298,240 (2015 - \$1,499,486). The organizations financial assets measured at fair value, less any reduction for impairment, total \$258,379 (2015 - \$Nil).

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Experiences Canada
(formerly SEVEC)
Schedule 1 - Schedule of Youth Exchange Program Expenses
For the year ended August 31, 2016

	2016	2015
Program costs	4,260,949	3,788,791
Salaries and benefits	609,154	602,071
Occupancy	55,280	56,689
Advertising and promotion	35,478	42,312
Travel	34,084	42,876
Office supplies	33,224	24,593
Computer supplies	31,922	40,367
Professional fees	15,151	32,065
Insurance	14,076	16,440
Communication	13,236	11,522
Consultant and recruitment	10,552	1,002
Bank fees and interest	8,536	6,275
Rentals	8,482	10,648
Professional development	4,206	2,352
Professional memberships	1,252	1,674
Amortization	-	6,231
	5,125,581	4,685,908

Schedule 2 - Schedule of Canada 150 + Me Project Expenses
For the year ended August 31, 2016

	2016	2015
Salaries and benefits	63,417	-
Advertising and promotion	45,769	-
Travel	33,423	-
Program costs	22,386	-
Office supplies	21,991	-
Occupancy costs	9,390	-
Consulting and recruitment	7,358	-
Computer supplies	3,670	-
Communications	2,837	-
Rentals	1,558	-
Insurance	1,509	-
Professional fees	1,480	-
Professional development	754	-
Professional memberships	299	-
Bank fees and interest	190	-
	216,031	-

The accompanying notes are an integral part of these financial statements

Experiences Canada
(formerly SEVEC)
Schedule 3 - Schedule of Corporate Support Expenses
For the year ended August 31, 2016

	2016	2015
Salaries and benefits	31,954	34,850
Design	29,007	1,732
Advertising and promotion	17,531	46,246
Amortization	8,193	-
Professional fees	6,259	140
Travel	5,030	3,858
Management fees	4,500	7
Consultant and recruiting	3,019	-
Professional development	2,394	1,306
Computer supplies	2,220	1,090
Professional Memberships	824	794
Office supplies	712	615
Occupancy	483	-
Loss on foreign Exchange	471	-
Communications	376	25
Bank fees and interest	-	15
	112,973	90,678

The accompanying notes are an Integral part of these financial statements

