

Financial Statements of

**EXPERIENCES CANADA /
EXPÉRIENCES CANADA**

And Independent Auditors Report thereon

Year ended August 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of Experiences Canada / Expériences Canada

Opinion

We have audited the financial statements of Experiences Canada / Expériences Canada (the Organization), which comprise:

- the statement of financial position as at August 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Organization as at end of August 31, 2022, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

November 17, 2022

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Statement of Financial Position

August 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 261,462	\$ -
Accounts receivable	44,897	432,889
Prepaid expenses	68,860	84,378
	<u>375,219</u>	<u>517,267</u>
Tangible capital assets (note 3)	71,809	78,981
Investments (note 4)	1,031,658	736,874
	<u>\$ 1,478,686</u>	<u>\$ 1,333,122</u>

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness	\$ -	\$ 2,827
Accounts payable and accrued liabilities (note 6)	295,190	237,080
Deferred revenue (note 7)	523,411	155,177
	<u>818,601</u>	<u>395,084</u>
Net assets:		
Internally restricted (note 8):		
Wind-up reserve	475,000	475,000
Special measures reserve	100,000	100,000
Invested in tangible capital assets	71,809	78,981
Unrestricted	13,276	284,057
	<u>660,085</u>	<u>938,038</u>

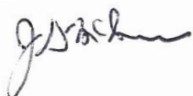
Economic dependence (note 2)

Commitments (note 9)

	\$ 1,478,686	\$ 1,333,122
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See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Statement of Operations

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Youth Exchanges program:		
Canadian Heritage contribution	\$ 920,269	\$ 928,906
Project fees	8,090	2,510
Other income (note 11)	68,778	198,741
	<u>997,137</u>	<u>1,130,157</u>
Youth Forum	290,207	91,100
Donations, membership and other income	106,504	93,472
Unrealized gains on investments	2,490	33,838
Interest revenue	3,077	28,194
	<u>1,399,415</u>	<u>1,376,761</u>
Expenses:		
Youth Exchanges program (Schedule 1)	1,207,913	1,100,140
Youth Forum (Schedule 2)	174,237	196,370
Corporate support expenses (Schedule 3)	98,486	176,447
Allyship (Schedule 4)	196,732	-
	<u>1,677,368</u>	<u>1,472,957</u>
Deficiency of revenue over expenses	\$ (277,953)	\$ (96,196)

See accompanying notes to financial statements.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Statement of Changes in Net Assets

Year ended August 31, 2022, with comparative information for 2021

	Wind-up reserve	Special Measures reserve	Invested in tangible capital assets	Unrestricted	2022	2021
Balance, beginning of year	\$ 475,000	\$ 100,000	\$ 78,981	\$ 284,057	\$ 938,038	\$ 1,034,234
Deficiency of revenue over expenses	-	-	-	(277,953)	(277,953)	(96,196)
Acquisition of tangible capital assets	-	-	19,261	(19,261)	-	-
Amortization of tangible capital assets	-	-	(26,433)	26,433	-	-
Balance, end of year	\$ 475,000	\$ 100,000	\$ 71,809	\$ 13,276	\$ 660,085	\$ 938,038

See accompanying notes to financial statements.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Statement of Cash Flows

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (277,953)	\$ (96,196)
Items not involving cash:		
Amortization of tangible capital assets	26,433	32,403
Unrealized gain on investments	(2,490)	(33,838)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	387,992	(137,191)
Decrease in prepaid expenses	15,518	28,047
Increase (decrease) in accounts payable and accrued liabilities	58,110	(339,969)
Increase in deferred revenue	368,234	2,060
	575,844	(544,684)
Investing activities:		
Change in investments	(292,294)	498,111
Acquisition of tangible capital assets	(19,261)	(9,932)
	(311,555)	488,179
Increase (decrease) in cash	264,289	(56,505)
Cash (bank indebtedness) beginning of year	(2,827)	53,678
Cash (bank indebtedness) end of year	\$ 261,462	\$ (2,827)

See accompanying notes to financial statements.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements

Year ended August 31, 2022

Experiences Canada / Expériences Canada (the "Organization") is a registered charity and was incorporated without share capital as a not-for-profit organization under the Canada Corporations Act on July 31, 1981. The Organization continued its articles of incorporation 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 by management 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) Revenue recognition:

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

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.

Registration fees include the fees paid by participants for the right to participate in exchanges. These fees are recognized in revenue once the travel has occurred.

Other income includes grants, donations, memberships and rebates that have been allocated to either programs or corporate expenditures. These revenues are recognized in revenue when the related expense has been incurred.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry investments at fair value.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements (continued)

Year ended August 31, 2022

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Tangible capital assets:

Purchased tangible 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.

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

Asset	Useful life
Tangible capital assets:	
Furniture and fixtures	7 years
Computer equipment	3 years
Leasehold Improvements	5 years
Intangible capital assets:	
Computer software	7 years
Website	3 years

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements (continued)

Year ended August 31, 2022

1. Significant accounting policies (continued):

(c) Tangible capital assets (continued):

Tangible 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.

(d) 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.

(e) 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. The remaining administrative and corporate support costs not eligible under the Youth Exchanges Program, Allyship or Youth Exchanges Forum are included in Corporate support expenses on the Statement of Operations.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements (continued)

Year ended August 31, 2022

1. Significant accounting policies (continued):

(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 decrease its services.

In fiscal 2022, the Organization negotiated a three-year agreement with the federal government that ends on March 31, 2025.

3. Tangible capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Furniture and fixtures	\$ 37,564	\$ 37,489	\$ 75	\$ 260
Computer equipment	90,262	84,314	5,948	8,193
Leasehold improvements	5,121	5,121	-	-
Intangible capital assets:				
Computer software	167,538	101,752	65,786	70,528
Website	26,245	26,245	-	-
	\$ 326,730	\$ 254,921	\$ 71,809	\$ 78,981

Cost and accumulated amortization at August 31, 2021 amounted to \$307,469 and \$228,488, respectively.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements (continued)

Year ended August 31, 2022

4. Investments:

	2022	2021
Guaranteed investment certificates	\$ 803,363	\$ 439,487
Canadian equities	135,182	181,723
US equities	46,288	66,086
Investment trusts	46,825	49,578
	<u>\$ 1,031,658</u>	<u>\$ 736,874</u>

Guaranteed investment certificates have interest rates from 1.72% to 4.35% and mature between October 2022 and December 2023.

5. Credit facility:

The Organization has a \$100,000 revolving line of credit with a Canadian chartered bank with interest at prime 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, 2022 (2021 - \$Nil).

6. Accounts payable and accrued liabilities:

As at August 31, 2022 and 2021, there were no amounts payable for government remittances.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements (continued)

Year ended August 31, 2022

7. Deferred revenue:

Deferred revenue consists of Canadian Heritage contributions, other grants received, as well as program participation and membership fees that relate to future travel. Recognition of these amounts as revenue is deferred to periods when the specific expenditures are incurred. At year end the balance of deferred revenue consisted of the following amounts:

	2022	2021
Federal government grants:		
Canadian Heritage - contribution agreement:		
Youth Exchanges Program	\$ 443,201	\$ 15,618
Other grants (non-federal government)	12,000	133,399
Membership fees	14,500	3,820
Program participation fees	53,710	2,340
	<u>\$ 523,411</u>	<u>\$ 155,177</u>

8. 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 originally established to provide funds for any young people whose economic circumstances would not otherwise allow participation in a program of the Organization. Funds disbursed to any young people will be applied against the special measures reserve as applicable. These funds however are available for other purposes at the discretion of the Board.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements (continued)

Year ended August 31, 2022

9. Lease commitments:

The Organization entered into an operating lease contract for the rental of its office premises on May 1, 2018, expiring April 30, 2028.

Minimum lease and estimated operating cost payments for the Organization's office premises are as follows:

2023	\$	80,993
2024		85,334
2025		86,784
2026		88,289
2027		89,847
Thereafter		60,607
	\$	491,854

In addition to the lease commitments included 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 lease which commenced on May 1, 2018 and will expire April 30, 2028.

10. Financial instruments and risk management:

(a) 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.

(b) 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 on its accounts receivable. 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 in accounts receivable.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Notes to Financial Statements (continued)

Year ended August 31, 2022

10. Financial instruments and risk management (continued):

(c) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its equity investments as disclosed in note 4.

(d) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 4.

(e) Currency risk:

Currency risk refers to certain assets that are exposed to foreign exchange fluctuations. The Organization believes it is not subject to significant currency risk.

11. Impact of COVID-19:

In March of 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is fluid and the ultimate duration and magnitude of the impact on the economy and on all aspects of operations are unknown.

Management has been forthright in undertaking certain strategies and actions to respond to the COVID-19 outbreak. The health and safety of all staff has been reinforced as the priority for the Organization, and Management invoked a work-from-home regime, suspended all domestic and international travel, and shifted all face-to-face meetings to digital methods. The Organization also sought access to available government support programs, including obtaining \$52,659 (2021 - \$186,399) of the Canadian Emergency Wage Subsidy which is included in Other income on the Statement of Operations.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Schedule 1 - Youth Exchanges program

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Program costs	\$ 230,860	\$ 160,660
Salaries and benefits	659,470	623,529
Occupancy	53,339	81,557
Promotional items/giveaways	23,075	79,527
Computer supplies	45,632	63,606
Communication	33,937	32,289
Travel	96,288	-
Amortization	18,042	24,012
Professional fees	16,316	9,389
Insurance	13,618	11,666
Office supplies	3,103	3,830
Bank fees and interest	4,769	2,977
Rentals	3,347	2,884
Professional memberships	2,986	3,226
Professional development	3,131	988
	\$ 1,207,913	\$ 1,100,140

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Schedule 2 - Youth Forum

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Salaries and benefits	\$ 65,133	\$ 95,138
Program costs	26,615	35,706
Administration	8,897	-
Communication	40,212	65,526
Youth leader training	33,380	-
	\$ 174,237	\$ 196,370

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Schedule 3 - Corporate support expenses

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Salaries and benefits	\$ 35,606	\$ 139,014
Special projects	19,097	2,158
Travel	9,558	97
Communications	4,829	7,174
Amortization	8,392	8,392
Management fees	6,012	7,054
Professional memberships	13,496	10,000
Office supplies	-	2,188
Computer supplies	-	325
Bank fees and interest	-	45
Administration	1,496	-
	<u>\$ 98,486</u>	<u>\$ 176,447</u>

EXPERIENCES CANADA / EXPÉRIENCES CANADA

Schedule 4 - Allyship

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Exceptional expenses	\$ 103,922	\$ -
Travel	79,888	-
Administration	12,922	-
	\$ 196,732	\$ -