

**National Association of Friendship
Centres**

**Financial Statements
March 31, 2008**

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Auditors' Report

To the Members of
National Association of Friendship Centres

We have audited the statement of financial position of the National Association of Friendship Centres as at March 31, 2008 and the statements of revenues and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Note 3 describes the policy with respect to the Association's capital assets. The note also indicates that the Association expenses capital asset purchases in the year of acquisition to the specific programs to which they relate. This practice is not in accordance with Canadian generally accepted accounting principles, and the effect of this departure from Canadian generally accepted accounting principles on expenses, excess of revenues over expenses, assets and fund balances has not been quantified.

In our opinion, except for the adjustments, if any, that would be required if the Association reflected capital assets and amortization of capital assets in accordance with Canadian generally accepted accounting principles, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2008 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The accounts for the year ended March 31, 2007, shown for comparative purposes, were reported on by other auditors.

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
May 12, 2008

National Association of Friendship Centres

Revenues and Expenses

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
Revenues		
Government contributions (Note 7)	29,726,758	28,999,444
Deferred contributions - beginning of year	464,373	438,766
Slippage	(420,683)	(351,135)
Deferred contributions - end of year (Note 6)	(601,185)	(464,373)
	<u>29,169,263</u>	<u>28,622,702</u>
Membership fees	31,925	31,850
Interest	174,036	144,442
Other	127,512	362,794
	<u>29,502,736</u>	<u>29,161,788</u>
Expenses		
Advertising	21,479	13,813
Bank, interest and service charges	2,971	6,989
Building expenses	62,108	61,313
Communications	32,259	36,634
Conference and related fees	31,314	3,957
Insurance	17,228	18,539
Office supplies and equipment	109,557	131,930
Other	16,202	10,254
Printing	15,612	10,096
Professional fees	616,045	260,934
Program delivery	27,095,469	26,938,629
Salaries and benefits	799,443	705,434
Training	20,056	4,651
Translation	87,026	96,979
Travel	712,399	664,448
Slippage	(195,132)	
Amortization of capital assets	24,716	25,478
	<u>29,468,752</u>	<u>28,990,078</u>
Excess of revenues over expenses	33,984	171,710
Transfer to Replacement Reserve Fund (Note 8)	(12,000)	(12,000)
	<u>21,984</u>	<u>159,710</u>

The accompanying notes are an integral part of the financial statements.

National Association of Friendship Centres Changes in Fund Balances

Year ended March 31, 2008

					2008	2007
	Operating, building and special program fund	Pension reserve fund	Capital assets fund	Replacement reserve fund	Total	Total
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	25,984	150,000	640,168	31,276	847,428	675,718
Excess (deficiency) of revenues over expenses	46,700		(24,716)	12,000	33,984	171,710
Purchase of capital assets	(25,500)		25,500			
Balance, end of year	<u>47,184</u>	<u>150,000</u>	<u>640,952</u>	<u>43,276</u>	<u>881,412</u>	<u>847,428</u>

The accompanying notes are an integral part of the financial statements.

National Association of Friendship Centres

Cash Flows

Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
OPERATING ACTIVITIES		
Excess of revenues over expenses	33,984	171,710
Non-cash items		
Amortization of capital assets	24,716	25,478
Loss on buy-out of capital lease		24,354
Changes in working capital items		
Accounts receivable	(344,500)	1,205,431
Prepaid expenses	(263,967)	(18,836)
Accounts payable and accrued liabilities	324,006	(75,338)
Deferred contributions	136,812	25,607
Net cash generated (used)	(88,949)	1,358,406
INVESTING ACTIVITIES		
Purchase of capital assets and net cash used	(25,500)	(68,434)
FINANCING ACTIVITIES		
Repayment of obligation under capital lease and net cash used		(13,847)
Net increase (decrease) in cash	(114,449)	1,276,125
Cash, beginning of year	<u>2,762,539</u>	<u>1,486,414</u>
Cash, end of year	<u><u>2,648,090</u></u>	<u><u>2,762,539</u></u>

The accompanying notes are an integral part of the financial statements.

National Association of Friendship Centres

Financial Position

March 31, 2008

	<u>2008</u>	<u>2007</u>
	\$	\$
ASSETS		
Current assets		
Cash	2,648,090	2,762,539
Accounts receivable	784,657	440,157
Prepaid expenses	<u>322,727</u>	<u>58,760</u>
	3,755,474	3,261,456
Capital assets (Note 4)	<u>640,952</u>	<u>640,168</u>
	<u>4,396,426</u>	<u>3,901,624</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	2,913,829	2,589,823
Deferred contributions (Note 6)	<u>601,185</u>	<u>464,373</u>
	<u>3,515,014</u>	<u>3,054,196</u>
FUND BALANCES		
Operating, building and special program fund	47,184	25,984
Pension reserve fund	150,000	150,000
Capital assets fund	640,952	640,168
Replacement reserve fund	<u>43,276</u>	<u>31,276</u>
	<u>881,412</u>	<u>847,428</u>
	<u>4,396,426</u>	<u>3,901,624</u>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Director

Director

National Association of Friendship Centres

Notes to Financial Statements

March 31, 2008

1 - GOVERNING STATUTES AND PURPOSE OF THE ASSOCIATION

The Association is incorporated under Part II of the Canada Business Corporations Act for the purpose of improving the quality of life of Aboriginal people in an urban setting. The Association receives monies under various agreements with the Government of Canada and other contributors, which it distributes to its members across Canada and to other organizations that carry out the projects intended to fulfill this mandate. As a not-for-profit organization, the Association is exempt from income tax.

2 - ACCOUNTING CHANGE

On April 1, 2007, in accordance with the applicable transitional provisions, the Association applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Association. The new standard has no impact on the Association's financial results.

On April 1, 2007, in accordance with the applicable transitional provisions, the Association adopted the new recommendations in Sections 3855, "Financial Instruments – Recognition and Measurement", and 3861, "Financial Instruments – Disclosure and Presentation", of the Canadian Institute of Chartered Accountants' Handbook.

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Association remeasure the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of fund balances at the beginning of the fiscal year of initial application. The financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Association's financial instruments, which were previously recognized at cost:

- Cash is classified as held-for-trading financial assets. It is measured at fair value and changes in fair value are recognized in the statement of revenues and expenses. This change had no impact on the financial statements as at March 31, 2008;
- Accounts receivable are classified as loans and receivables. Accounts receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. This change had no impact on the financial statements as at March 31, 2008;
- Accounts payable and accrued liabilities are classified as other financial liabilities. They are measured at amortized cost using the effective interest method. This change had no impact on the financial statements as at March 31, 2008.

National Association of Friendship Centres

Notes to Financial Statements

March 31, 2008

3 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Association may undertake in the future. Actual results may differ from these estimates.

Fund accounting

The Association uses fund accounting for financial reporting purposes.

i) Operating and building fund

The Operating and building fund accounts for the Association's general funding and administrative activities and the operations of the land and building.

ii) Special program fund

The Special program fund accounts for program activities undertaken by the Association. Surpluses and deficits generated in the Special program fund, to the extent that they are not reimbursable, are transferred to the Operating fund.

iii) Pension reserve fund

The Pension reserve fund was established to ensure the pension plan is able to meet its obligations in the future.

iv) Capital assets fund

The Capital assets fund accounts for the Association's investment in capital assets net of accumulated amortization.

v) Replacement reserve fund

The Replacement reserve fund was established to fund the major repairs and replacements of the Association's assets.

Capital assets

Capital assets are recorded at cost. They are amortized over their estimated useful lives according to the following methods and rates:

	<u>Methods</u>	<u>Rate and period</u>
Building	Straight-line	40 years
Equipment	Diminishing balance	20%

Capital assets purchased and funded under the terms of program agreements are expensed in the year of acquisition.

National Association of Friendship Centres

Notes to Financial Statements

March 31, 2008

3 - ACCOUNTING POLICIES (Continued)

Program administration revenues and expenses

The Association charges its special programs for office rent, meeting costs, office supplies and equipment and administrative support where such charges are specifically provided for in the project funding agreement. These internal charges are recorded as revenues in the operating and building fund and as expenses in the special program fund under the categories "Office rent", "Building", "Program administration", "Annual general meeting", "Board meeting", "Presidents and coordinators meeting", and "Youth forum meeting", but are eliminated in the statement of revenues and expenses.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Under this method, 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.

Restricted contributions which the Association receives are deferred and recognized as revenues and expenses when the funds have been disbursed to the recipient organization.

Membership revenues are recognized in the period to which they relate.

Expenses made by members and other organizations may be subject to audit to ensure compliance with the agreements. Such audits may result in adjustments to amounts to which the Association is entitled and therefore result in a portion of amounts recognized as revenue to be repaid to the funder. Management believes that the Association has no material repayment obligation, if any, related to amounts distributed to recipient organizations.

4 - CAPITAL ASSETS

	2008		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	338,838		338,838
Building	288,995	80,575	208,420
Equipment	265,169	171,475	93,694
	<u>893,002</u>	<u>252,050</u>	<u>640,952</u>
	2007		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	338,838		338,838
Building	288,995	73,350	215,645
Equipment	239,669	153,984	85,685
	<u>867,502</u>	<u>227,334</u>	<u>640,168</u>

National Association of Friendship Centres

Notes to Financial Statements

March 31, 2008

5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2008</u>	<u>2007</u>
	\$	\$
Accounts payable and accrued liabilities	2,904,601	2,585,521
Vacation payable	<u>9,228</u>	<u>4,302</u>
	<u>2,913,829</u>	<u>2,589,823</u>

6 - DEFERRED CONTRIBUTIONS

	<u>2008</u>	<u>2007</u>
	\$	\$
Balance, beginning of year	464,373	438,766
Recognized as revenue	(162,845)	(175,107)
Repayment of deferred contributions not utilized	(12,108)	(107,050)
Received relating to the following year	<u>311,765</u>	<u>307,764</u>
Balance, end of year	<u>601,185</u>	<u>464,373</u>

7 - GOVERNMENT CONTRIBUTIONS

	<u>2008</u>	<u>2007</u>
	\$	\$
Department of Justice	123,125	108,577
Heritage Canada	28,490,760	28,613,114
Human Resources Development Canada	495,703	60,000
Health Canada		3,959
Indian and Northern Affairs Canada	587,170	168,794
Statistics Canada		45,000
Public Safety Canada	<u>30,000</u>	
	<u>29,726,758</u>	<u>28,999,444</u>

8 - REPLACEMENT RESERVE

The Replacement reserve fund was established to accumulate funds for future capital repair and replacement costs. The limit for the current year reserve has been set at the lesser of the annual building fund surplus and \$12,000.

9 - ECONOMIC DEPENDENCE

The Association receives in excess of 95% (2007 - 97%) of its funding from Heritage Canada.

National Association of Friendship Centres

Notes to Financial Statements

March 31, 2008

10 - COMMITMENT

The Association has entered into a long-term lease agreement expiring in April 2010 which calls for minimum lease payments of \$4,624 for the rental of equipment. Minimum lease payments for the next two years are \$2,312 in 2009 and 2010.

11 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

Short-term financial instruments

The fair value the short-term financial assets and liabilities approximates their carrying amount given that they will mature shortly.

12 - COMPARATIVE FIGURES

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

13 - FUTURE ACCOUNTING STANDARD

In December 2006, the Canadian Institute of Chartered Accountants published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Association will implement it as of April 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Association's financial results.

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Association's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Association will implement them as of April 1, 2008. The new requirements only address disclosures and will have no impact on the Association's financial results.

National Association of Friendship Centres Supplementary Information

Year ended March 31, 2008

SCHEDULE OF REVENUE AND EXPENSES - OPERATING FUND

	<u>2008</u>	<u>2007</u>
	\$	\$
Revenues		
Program administration	333,918	355,360
Deferred contributions - beginning of year	10,252	
Interest	174,036	144,442
Membership fees	31,925	31,850
Other	57,881	51,216
	<u>608,012</u>	<u>582,868</u>
Expenses		
Advertising	12,219	4,457
Bank, interest and service charges	731	680
Communications	1,210	4,200
Conference and related fees	28,442	
Office supplies and equipment	21,756	44,023
Other	13,638	4,740
Printing	11,731	
Professional fees	15,446	19,139
Salaries and benefits	17,843	2,456
Translation	1,278	1,598
Travel	441,203	300,247
Amortization of capital assets	17,491	18,253
	<u>582,988</u>	<u>399,793</u>
Excess of revenues over expenses	<u>25,024</u>	<u>183,075</u>

National Association of Friendship Centres

Supplementary Information

Year ended March 31, 2008

SCHEDULE OF REVENUES AND EXPENSES - BUILDING FUND

	<u>2008</u>	<u>2007</u>
	\$	\$
Revenues		
Building revenue - transfer	82,403	83,153
Other	12,720	9,540
	<u>95,123</u>	<u>92,693</u>
	-----	-----
Expenses		
Building insurance	7,492	8,217
Communications	211	
Office supplies and equipment	484	809
Property taxes	24,106	26,196
Building expenses	21,894	21,067
Utilities	16,107	14,050
Amortization of capital assets	7,225	7,225
	<u>77,519</u>	<u>77,564</u>
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Excess of revenues over expenses	<u>17,604</u>	<u>15,129</u>

National Association of Friendship Centres

Supplementary Information

Year ended March 31, 2008

SCHEDULE OF REVENUES AND EXPENSES - SPECIAL PROGRAM FUND

	Other Programs	Youth Intervenor	Family Literacy Initiative	AFCP Program (A)	AFCP Program (B)	Urban Multi-purpose Aboriginal Youth Centres Program	Youth Canada Works for Aboriginal Urban Youth	Policy Registration and Sponsors
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Government contributions		148,903	346,800	692,000	15,481,194	10,803,433	1,480,000	
Deferred contributions - beginning of year	75,962						12,108	347,876
Variance	(24,813)		(18,253)			(173,644)	(183,461)	
Deferred contributions - end of year	(45,621)	(23,096)						(245,656)
	5,528	125,807	328,547	692,000	15,481,194	10,629,789	1,308,647	102,220
Other revenue	3,981					11,863		
	9,509	125,807	328,547	692,000	15,481,194	10,641,652	1,308,647	102,220
Expenses								
Advertising					3,741	1,445	4,074	
Bank, interest and service charges					1,100	389	751	
Communications		645	2,391	3,764	3,384	11,457	3,600	
Conferences and related fees					72			
Insurance				1,316	2,237	5,349	834	
Office rent						22,500	13,500	
Building				13,000	31,153			
Office supplies and equipment		1,411	1,984	7,000	17,817	23,358	14,152	
Other					179			
Printing	2,993							
Professional fees	800	11,531	251,900	2,500	6,500	7,000	5,000	99,007
Program administration		28,000						
Annual general meeting					90,137	42,657	14,000	
Board meeting					72,174		25,000	
Presidents and coordinators meeting					10,631	5,000		
Youth forum meeting						10,000		
Program delivery	12,359			490,000	14,965,115	10,469,599	1,109,594	
Salaries and benefits		46,088	70,800	161,568	182,794	169,073	118,275	
Training				614	2,100	2,527	2,431	
Translation		437			76,096	4,832	4,383	
Travel	11,382	37,695	1,472	12,238	15,964	28,248	5,160	3,213
Travel - special meetings						11,862		
Variance	(11,160)					(173,644)	(10,328)	
	16,374	125,807	328,547	692,000	15,481,194	10,641,652	1,310,426	102,220
Deficiency of revenues over expenses	(6,865)	-	-	-	-	-	(1,779)	-

National Association of Friendship Centres

Supplementary Information

Year ended March 31, 2008

SCHEDULE OF REVENUES AND EXPENSES - SPECIAL PROGRAM FUND (CONT'D)

	Database Initiative	Drug Prevention Consultation	Public Safety Agreement	National Aboriginal Womens Summit	Advanced Contract Award Notification	Urban Aboriginal Knowledge Network	Total 2008	Total 2007
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues								
Government contributions	34,133	123,125	30,000	29,606	421,349	136,215	29,726,758	28,999,444
Deferred contributions - beginning of year	18,175						454,121	438,766
Variance			(3,605)			(16,907)	(420,683)	
Deferred contributions - end of year					(286,812)		(601,185)	(464,373)
	52,308	123,125	26,395	29,606	134,537	119,308	29,159,011	28,973,837
Other revenue	2,500						18,344	338,138
	54,808	123,125	26,395	29,606	134,537	119,308	29,177,355	29,311,975
Expenses								
Advertising							9,260	9,356
Bank, interest and service charges							2,240	6,309
Communications	2,214				3,383		30,838	32,434
Conferences and related fees						2,800	2,872	3,957
Insurance							9,736	10,322
Office rent							36,000	
Building							44,153	
Office supplies and equipment	7,252				14,343		87,317	87,098
Other					2,385		2,564	5,514
Printing					888		3,881	10,096
Professional fees	17,955	12,060	13,325	4,635	95,511	72,875	600,599	241,796
Program administration							28,000	474,612
Annual general meeting							146,794	
Board meeting							97,174	
Presidents and coordinators meeting							15,631	
Youth forum meeting							10,000	
Program delivery		8,129	13,070	6,888	15,000	5,715	27,095,469	26,938,629
Salaries and benefits	15,002					18,000	781,600	702,978
Training	12,385						20,057	4,651
Translation							85,748	95,381
Travel		102,936		18,083	3,027	19,918	259,336	364,201
Travel - special meetings							11,862	
Variance							(195,132)	351,135
	54,808	123,125	26,395	29,606	134,537	119,308	29,185,999	29,338,469
Deficiency of revenues over expenses	-	-	-	-	-	-	(8,644)	(26,494)