

**NATIONAL ASSOCIATION OF
FRIENDSHIP CENTRES**

FINANCIAL STATEMENTS

Year ended March 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To: The Members of National Association of Friendship Centres

Professional Strength

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We have audited the accompanying financial statements of **National Association of Friendship Centres**, which comprise the statement of financial position as at **March 31, 2014**, and the statements of operations, changes in fund balances 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.

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Auditor's 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.

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ORLEANS

OTTAWA, ONTARIO

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Association'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 Association'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 qualified audit opinion.

INDEPENDENT AUDITOR'S REPORT, continued

Basis for Qualified Opinion

National Association of Friendship Centres expenses program specific property and equipment purchased in the year of acquisition to the specific programs to which it relates. This practice is outlined in the Significant Accounting Policies description in the notes to the financial statements. This practice is not in accordance with Canadian accounting standards for not-for-profit organizations, and the effect of this departure on expenses, excess of revenues over expenses, assets and fund balances has not been quantified.

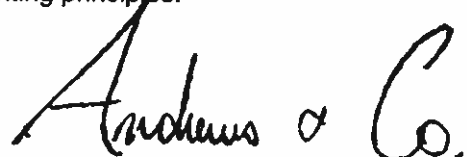
Qualified Opinion

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The Supplementary Information included is presented for the purposes of additional analysis and is not required disclosure under Canadian generally accepted accounting principles.

Ottawa, Ontario
June 1, 2014


CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES
STATEMENT OF FINANCIAL POSITION
As at March 31, 2014
(With comparative figures for 2013)

	2014	2013
ASSETS		
CURRENT		
Cash	\$ 1,840,960	\$ 4,072,963
Accounts receivable	2,613,213	2,722,592
Prepaid expenses	38,182	35,732
HST receivable	31,006	57,460
	4,523,361	6,888,747
PROPERTY AND EQUIPMENT - Note 3	598,250	618,144
	\$ 5,121,611	\$ 7,506,891
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,895,925	\$ 6,163,373
Deferred contributions - Note 4	287,163	406,146
	4,183,088	6,569,519
OPERATING, BUILDING AND SPECIAL PROGRAM FUND	118,924	98,347
PENSION RESERVE FUND	150,000	150,000
PROPERTY & EQUIPMENT FUND	598,250	618,144
REPLACEMENT RESERVE FUND	71,349	70,881
	938,523	937,372
	\$ 5,121,611	\$ 7,506,891

See accompanying notes

Approved on behalf of the board

Members 
Members 

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES

STATEMENT OF OPERATIONS

Year ended March 31, 2014

(With comparative figures for 2013)

	2014	2013
REVENUES		
Government contributions - Note 5	\$ 29,261,974	\$ 29,388,291
Slippage	(915,779)	(449,802)
Deferred contributions	143,607	97,803
Membership fees	36,400	36,675
Interest	51,904	37,981
Other	94,135	62,092
Conferences	1,108	2,305
	28,673,349	29,175,345
EXPENDITURES		
Advertising and promotion	3,430	5,745
Amortization	19,893	22,709
IT Equipment & Support	8,312	6,020
Insurance	20,768	22,202
Interest and bank charges	1,419	1,999
Training	3,321	2,556
Other	20,637	22,627
Office supplies	53,097	66,206
Program delivery and management	27,047,392	27,062,353
Translation	102,890	92,557
Professional fees	503,955	481,820
Repairs and maintenance - building	24,935	20,907
Building expenses	59,740	42,813
Salaries and related benefits	1,010,533	1,006,039
Slippage	(661,912)	(254,033)
Printing	7,157	9,520
Telephone and utilities	36,810	50,114
Travel	399,296	504,887
Conferences and related fees	10,525	5,844
	28,672,198	29,172,885
EXCESS OF REVENUES OVER EXPENDITURES	\$ 1,151	\$ 2,460

See accompanying notes

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES
STATEMENT OF CHANGES IN FUND BALANCES
Year ended March 31, 2014
(With comparative figures for 2013)

	<u>Operating, building and special program fund</u>	<u>Pension reserve fund</u>	<u>Property & equipment fund</u>	<u>Replacement reserve fund</u>	<u>Total 2014</u>	<u>Total 2013</u>
BALANCE, BEGINNING OF YEAR	\$ 98,347	\$ 150,000	\$ 618,144	\$ 70,881	\$ 937,372	\$ 934,912
Excess (deficiency) of revenues over expenditures	21,045	-	(19,894)	-	1,151	2,460
Transfer to replacement reserve fund	<u>(468)</u>	<u>-</u>	<u>-</u>	<u>468</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 118,924</u>	<u>\$ 150,000</u>	<u>\$ 598,250</u>	<u>\$ 71,349</u>	<u>\$ 938,523</u>	<u>\$ 937,372</u>

See accompanying notes

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES

STATEMENT OF CASH FLOWS

Year ended March 31, 2014

(With comparative figures for 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 1,151	\$ 2,460
Adjustment for Amortization	<u>19,893</u>	<u>22,709</u>
	21,044	25,169
Change in non-cash working capital items		
Decrease in accounts receivable	109,379	381,679
Increase in prepaid expenses	(2,450)	(1,122)
Decrease (increase) in HST receivable	26,454	(4,336)
(Decrease) increase in accounts payable and accrued liabilities	<u>(2,267,447)</u>	<u>2,056,456</u>
Decrease in deferred contributions	<u>(118,983)</u>	<u>(98,501)</u>
(DECREASE) INCREASE IN CASH	(2,232,003)	2,359,345
CASH, BEGINNING OF YEAR	<u>4,072,963</u>	<u>1,713,618</u>
CASH, END OF YEAR	<u>\$ 1,840,960</u>	<u>\$ 4,072,963</u>

See accompanying notes

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2014

(With comparative figures for 2013)

1. NATURE OF OPERATIONS

National Association of Friendship Centres was incorporated under Part II of the Canada Business Corporations Act for the purpose of improving the quality of life Aboriginal people in an urban setting. The Association receives funding 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 fulfil this mandate. As a not-for-profit organization the Association is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The Association applies the Canadian accounting standards for not-for-profit enterprises.

(a) Fund accounting

The Association uses fund accounting for financial reporting purposes.

The operating, building and special program fund accounts for the Association's general funding and administrative activities, the operations of the land and building, and special program activities undertaken by the Association.

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

The property and equipment fund accounts for the Association's investment in property and equipment net of accumulated amortization

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

(b) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues such as conference fees are recognized when the service is performed or when the activity has taken place.

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. Any potential adjustments to the financial statements as a result of these audits will be recorded in the future period in which they become known.

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2014

(With comparative figures for 2013)

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) **Accounting estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Areas of significant estimates include the estimated useful life for property and equipment.

(d) **Property and equipment**

Property and equipment are accounted for at cost. Amortization is based on their useful life using the following methods and rates:

Buildings	40 years	Straight-line
Equipment	20 %	Declining balance

Property and equipment purchased and funded under the terms of program agreements are expensed in the year of acquisition. Capital asset purchases expensed during the year totalled \$6,791 (2013 - \$4,750)

(e) **Program administration revenues and expenses**

The Association charges its programs for office rent, meeting costs, office supplies and equipment and administrative support where such charges are specifically provided for in the program funding agreements. These internal charges are recorded as revenues in the operating and building fund, and as expenses in the individual program statements, but are eliminated in the statement of revenues and expenses.

(f) **Financial instruments**

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, deferred revenue and government remittances payable.

The Association has not designated any financial asset or financial liability to be measured at fair value.

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2014

(With comparative figures for 2013)

3. PROPERTY AND EQUIPMENT

	2014		2013	
	Cost	Accumulated amortization	Net	Net
Land	\$ 338,838	\$ -	\$ 338,838	\$ 338,838
Buildings	345,162	130,807	214,355	222,984
Equipment	<u>309,646</u>	<u>264,589</u>	<u>45,057</u>	<u>56,322</u>
Total property and equipment	<u>\$ 993,646</u>	<u>\$ 395,396</u>	<u>\$ 598,250</u>	<u>\$ 618,144</u>

4. DEFERRED CONTRIBUTIONS

	2014	2013
Balance, beginning of year	\$ 406,146	\$ 504,647
Recognized as revenues during the year	(143,607)	(130,616)
Received during the year relating to the following year	31,366	32,115
Slippage repaid to government	<u>(6,742)</u>	<u>-</u>
Balance, end of year	<u>\$ 287,163</u>	<u>\$ 406,146</u>

5. GOVERNMENT CONTRIBUTIONS

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 28,852,005	\$ 28,619,475
Canadian Association for the Advancement of Women and Sport	-	4,000
Elections Canada	644	18,367
Human Resources Skills Development Canada	175,000	179,865
Indian and Northern Affairs Canada	-	311,262
Statistics Canada	20,000	-
Physical and Health Education	114,325	55,322
Public Safety Canada	<u>100,000</u>	<u>200,000</u>
	<u>\$ 29,261,974</u>	<u>\$ 29,388,291</u>

6. REPLACEMENT RESERVE

The replacement reserve fund was established to accumulate funds for future property and equipment 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.

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2014

(With comparative figures for 2013)

7. ECONOMIC DEPENDENCE

The operations of the Association are funded at 99% (2013 - 97%) by Aboriginal Affairs and Northern Development Canada. Should this funding not be continued or it cannot be replaced, the Association would not be able to continue its operations at the current level. However, if program delivery contributions are excluded, the percentage of Aboriginal Affairs and Northern Development Canada funding contributed to the Association's operating expenses are 39% (2013 - 43%).

8. PENSION PLAN EXPENSE

Effective July 1, 2007, the Association enrolled into a defined contribution pension plan. Enrolment into the pension plan is mandatory for all employees. For employees hired on or after July 1, 2007, the Association will match employee contributions to their pension plan for an amount equal to 6% of their income. For employees hired prior to July 1, 2007, the Association will match employee contributions from 1% to 6% of earnings.

	<u>2014</u>	<u>2013</u>
Pension plan contributions made during the year, included in salaries and benefits	<u>\$ 44,105</u>	<u>\$ 45,898</u>

9. CAPITAL MANAGEMENT

The Association considers its capital to be the amounts retained in the different fund balances, which is generally the difference between its assets and its liabilities as reported on the statement of financial position. The Association receives contribution funding from Aboriginal Affairs and Northern Development Canada, Elections Canada, Human Resources Skills Development Canada, Physical and Health Education Canada, and Public Safety Canada for the delivery of programs that respect the nature of business of the Association as defined in Note 1. These contributions are maintained and disbursed under the terms of the relevant funding agreements and management is responsible for adhering to the provisions of these agreements.

The Association's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its services to its members.

Management maintains its capital by ensuring that annual operating budgets are developed and approved by the Board of Directors and the different funding agencies for specific programs, based on known or estimated sources of funding available each year. These budgets are shared with all management and staff of the Association to ensure that the capital of the Association is maintained. The Association was in compliance with all of its capital requirements during the year.

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2014

(With comparative figures for 2013)

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency and credit risks arising from its financial instruments. All transactions related to the financial instruments are recorded on a settlement-date basis. The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values, unless otherwise noted, due to the short-term maturity of these instruments.

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES
SUPPLEMENTARY INFORMATION - SCHEDULE A - OPERATING FUND
Year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUES		
Other	1,461	\$ 16,914
Membership Fees	36,400	36,675
Deferred revenue	68,964	45,187
Earned revenues	13,991	43,710
Interest	51,904	37,984
Government Contributions	-	(8)
Revenue transfers	194,547	172,942
	<u>367,267</u>	<u>353,404</u>
EXPENDITURES		
Advertising and promotion	3,430	-
Amortization	11,264	14,080
Communications	2,273	1,684
Conferences and related fees	13,774	3,982
Contracts, prof. fees and honoraria	42,611	23,783
Insurance	-	-
Interest and bank charges	329	763
Office supplies	11,869	17,508
Other	4,149	22,463
Permits, taxes and licenses	-	-
Printing	1,849	745
Professional fees	20,201	1,957
Program delivery and management	-	-
Rent	-	5,307
Salaries and related benefits	451	18,179
Training	-	-
Translation	16,298	9,733
Travel	237,731	230,798
Utilities	-	-
	<u>366,229</u>	<u>350,984</u>
EXCESS OF REVENUES OVER EXPENDITURES FROM	<u>1,038</u>	<u>2,421</u>
FUNDER ADJUSTMENTS	-	-
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 1,038</u>	<u>\$ 2,421</u>

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NATIONAL ASSOCIATION OF FRIENDSHIP CENTRES
SUPPLEMENTARY INFORMATION - SCHEDULE B - BUILDING FUND
Year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUES		
Deferred revenue	\$ 1,045	\$ 1,404
Revenue transfers	92,766	83,405
	<u>93,811</u>	<u>84,809</u>
EXPENDITURES		
Amortization	8,629	8,629
Insurance	10,725	11,681
Office supplies	190	338
Permits, taxes and licenses	31,803	29,051
Repairs and maintenance	24,935	20,873
Utilities	16,687	13,761
Other miscellaneous	374	163
Building expense	-	33
	<u>93,343</u>	<u>84,529</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 468</u>	<u>\$ 280</u>

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