

# **National Association of Friendship Centres**



## **Financial Statements**

**For the year ended March 31, 2020**

**National Association of Friendship Centres**  
**Financial Statements**  
For the year ended March 31, 2020

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## **Independent Auditor's Report**

### **To the Members of National Association of Friendship Centres**

### **Report on the Financial Statements**

#### Opinion

We have audited the financial statements of National Association of Friendship Centres, (the "Association"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2020, and its results of operations 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

#### Auditor's 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 auditor's 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 these 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 Association'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 Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Association 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.

We 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.

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
July 5, 2020  
Ottawa, Ontario

## National Association of Friendship Centres Statement of Financial Position

March 31	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash (Note 1)	\$ 5,308,506	\$ 3,651,996
Accounts receivable (Note 2)	226,659	336,333
Prepaid expenses	72,178	45,673
HST receivable	-	20,133
	5,607,343	4,054,135
<b>Tangible capital assets</b> (Note 3)	<b>534,542</b>	<b>531,898</b>
	<b>\$ 6,141,885</b>	<b>\$ 4,586,033</b>

### Liabilities and Fund Balances

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 695,596	\$ 721,583
Deferred contributions (Note 4)	2,703,140	1,282,197
Due to government agencies (Note 9)	1,979,225	1,939,311
HST payable	255	-
	5,378,216	3,943,091
<b>Fund Balances</b>		
Operating, building and special program fund	1,924	(116,159)
Pension reserve fund	155,854	155,854
Property and equipment fund	534,542	531,898
Replacement reserve fund	71,349	71,349
	763,669	642,942
	<b>\$ 6,141,885</b>	<b>\$ 4,586,033</b>

Approved on behalf of the Board:

Members 

Members 

**National Association of Friendship Centres  
Statement of Changes in Fund Balances**

**For the year ended March 31**

**2020**

**2019**

	Internally Restricted Funds				Total	Total
	Unrestricted Operating, Building and Special Program Fund	Pension Reserve Fund	Property and Equipment Fund	Replacement Reserve Fund		
<b>Balance, beginning of year</b>	\$ (116,159)	\$ 155,854	\$ 531,898	\$ 71,349	\$ 642,942	\$ 553,788
<b>Excess (deficiency) of revenue over expenses for the year</b>	141,548	-	(20,821)	-	120,727	89,154
<b>Investment in tangible capital assets</b>	(23,465)	-	23,465	-	-	-
<b>Balance, end of year</b>	<b>\$ 1,924</b>	<b>\$ 155,854</b>	<b>\$ 534,542</b>	<b>\$ 71,349</b>	<b>\$ 763,669</b>	<b>\$ 642,942</b>

## National Association of Friendship Centres Statement of Operations

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>		
Government contributions (Note 5)	\$ 24,492,424	\$ 24,634,953
Membership fees	30,300	36,000
Interest	101,912	71,205
Other	165,308	58,401
	<b>24,789,944</b>	<b>24,800,559</b>
<b>Program and activity expenditures</b>		
Amortization	20,821	13,107
Building repairs and maintenance	88,838	89,656
Communications	32,872	29,410
IT equipment & support	30,530	39,721
Insurance	18,752	18,063
Interest and bank charges	3,272	3,014
Meetings	138,771	217,954
Office supplies	71,248	47,607
Other	1,871	3,500
Professional fees	211,149	357,361
Program delivery and management	22,353,620	22,439,515
Salaries and related benefits	1,092,853	858,920
Training	14,826	6,224
Translation	147,000	162,045
Travel	442,794	425,308
	<b>24,669,217</b>	<b>24,711,405</b>
<b>Excess of revenue over expenditures</b>	<b>\$ 120,727</b>	<b>\$ 89,154</b>

## National Association of Friendship Centres Statement of Cash Flows

<b>For the year ended March 31</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenses for the year	\$ 120,727	\$ 89,154
Adjustments for		
Amortization of tangible capital assets	20,821	13,107
	<b>141,548</b>	102,261
Changes in non-cash working capital balances		
Accounts receivable	109,674	102,724
Prepaid expenses	(26,505)	(7,810)
HST receivable	20,133	1,517
Accounts payable and accrued liabilities	(25,987)	(159,778)
Deferred contributions	1,420,943	467,979
Due to government agencies	39,914	146,874
HST payable	255	-
	<b>1,679,975</b>	653,767
<b>Cash flows from investing activities</b>		
Purchase of tangible capital assets	(23,465)	(7,872)
<b>Increase in cash and cash equivalents during the year</b>	<b>1,656,510</b>	<b>645,895</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,651,996</b>	<b>3,006,101</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,308,506</b>	<b>\$ 3,651,996</b>



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# National Association of Friendship Centres

## Summary of Significant Accounting Policies

March 31, 2020

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<b>Nature of Organization</b>	National Association of Friendship Centres (the "Association") is incorporated under the Canada Not-for-Profit Corporations Act for the purpose of improving the quality of life of 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.
<b>Basis of Presentation</b>	These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO") which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.
<b>Use of Estimates</b>	<p>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 amounts of assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.</p> <p>Significant estimates include assumptions used in establishing the useful lives and related amortization of tangible capital assets, estimating provisions for accrued liabilities, and estimating Government program funding earned and delivered.</p>
<b>Financial Instruments</b>	<p>Financial instruments are financial assets or financial liabilities of the Association where, in general, the Association has the right to receive cash or another financial asset from another party or the Association has the obligation to pay another party cash or other financial assets.</p> <p><i>Measurement of financial instruments</i></p> <p>The Association initially measures its financial assets and liabilities at fair value.</p> <p>The Association subsequently measures all its financial assets and financial liabilities at amortized cost.</p> <p>Financial assets measured at amortized cost include cash, accounts receivable and HST receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deferred contributions and amounts due to government agencies.</p>

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## National Association of Friendship Centres Summary of Significant Accounting Policies

**March 31, 2020**

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**Financial Instruments  
(continued)**

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Association recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**Internally Restricted  
Funds**

A portion of the Association's funds, excluding the Operating, building and special program fund, has been internally restricted in accordance with the direction of the Association's Board of Directors. The purpose of each fund is as follows:

**Pension reserve fund**

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

**Property and equipment fund**

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

**Replacement reserve fund**

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

**Tangible Capital Assets**

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

Building	40	years straight-line
Furniture and equipment	20%	declining balance
Computer equipment	3	years straight-line

Property and equipment purchased and funded under the terms of program agreements is capitalized and amortized using the rates stated above.

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## National Association of Friendship Centres Summary of Significant Accounting Policies

**March 31, 2020**

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**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 takes place.

**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 revenue in the operating, building and special program fund, and as expenses in the individual program statements, but are eliminated in the statement of revenues and expenses.

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## National Association of Friendship Centres Notes to Financial Statements

**March 31, 2020**

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**1. Cash**

The Association's cash is held at one Canadian chartered bank and the bank accounts earn minimal interest.

As at March 31, 2020 the Association has available an undrawn operating line of credit with its bank in the amount of \$250,000 (2019 - \$250,000) which is subject to the bank Prime Rate and is secured by a first collateral mortgage on the land and building outlined in Note 3. In addition, the Association has credit facilities in the form of corporate credit cards which total \$80,000, of which, \$28,743 (2019 - \$23,420) was utilized at year end.

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**2. Accounts Receivable**

	2020	2019
Administration and Program funding	<b>\$ 226,659</b>	\$ 336,333

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**3. Tangible Capital Assets**

	2020			2019		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 338,838	\$ -	\$ 338,838	\$ 338,838	\$ -	\$ 338,838
Building	345,162	182,581	162,581	345,162	173,952	171,210
Furniture and equipment	85,792	68,312	17,480	317,518	295,668	21,850
Computer equipment	23,465	7,822	15,643	-	-	-
	<b>\$ 793,257</b>	<b>\$ 258,715</b>	<b>\$ 534,542</b>	<b>\$ 1,001,518</b>	<b>\$ 469,620</b>	<b>\$ 531,898</b>

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## National Association of Friendship Centres Notes to Financial Statements

**March 31, 2020**

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**4. Deferred Contributions**

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,282,197	\$ 814,218
Received during the year	26,045,022	25,131,674
Recognized as revenue during the year	<u>(24,624,079)</u>	<u>(24,663,695)</u>
Balance, end of year	<u>\$ 2,703,140</u>	<u>\$ 1,282,197</u>

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**5. Government Contributions**

	<u>2020</u>	<u>2019</u>
Indigenous and Northern Affairs Canada / Indigenous Services Canada	\$ 23,909,780	\$ 23,700,043
Canadian Institute of Health Research	90,693	195,418
Employment and Social Development Canada	328,556	263,951
Crown-Indigenous Relations and Northern Affairs Canada	105,683	413,930
Department for Women and Gender Equality / Status of Women	<u>57,712</u>	<u>61,611</u>
Total	<u>\$ 24,492,424</u>	<u>\$ 24,634,953</u>

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**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 property and equipment fund surplus and \$12,000.

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**7. Economic Dependence**

The operations of the Association are 96% funded by Indigenous and Northern Affairs Canada / Indigenous Services Canada (2019 - 96%). Should this funding not be continued, or if it cannot be replaced, the Association would not be able to continue its operations at the current level.

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## National Association of Friendship Centres Notes to Financial Statements

**March 31, 2020**

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### 8. Pension Plan Expense

Effective July 1, 2007, the Association enrolled in a defined contribution pension plan. Enrolment into the pension plan is optional for 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 employees contributions from 1% to 6% of earnings.

	<u>2020</u>	<u>2019</u>
Pension plan contributions made during the year, included in salaries and benefits	<b>\$ 34,117</b>	\$ 22,016

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### 9. Due to Government Agencies

Amounts due to government agencies consist of project funding received under various agreements. These amounts have been unspent and are repayable under the terms of the agreements.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	<b>\$ 1,939,311</b>	\$ 1,792,437
UP and CCS unspent funds	<b>39,914</b>	187,725
Language Symposium	-	(3,257)
Repayment to government agency	-	(37,594)
Balance, end of year	<b>\$ 1,979,225</b>	\$ 1,939,311

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### 10. Contingencies and Contractual Obligations

The Association receives funding from various government and other agencies based on specific program needs and budgets and allocates certain expenses to the various programs. In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of the programs. At this time, no estimate of the requirements, if any, to reimburse the agencies can be made. Management of the Association feels that their allocations of expenses are fair and accurate in the circumstances. In the event any sum has to be reimbursed, it will be treated as an expense in the year of reimbursement.

In connection with its operations, the Association regularly enters into agreements for the purchase of various supplies and services including the rental of equipment and facilities. Some of these agreements extend beyond the end of the 2020 fiscal year. In the opinion of management, these agreements are in the normal course of the Association's operations, are not abnormal in amount or nature, and do not include a high degree of speculative risk.

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# National Association of Friendship Centres

## Notes to Financial Statements

**March 31, 2020**

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### 11. Financial Instruments Risks and Concentrations

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations as at March 31, 2020.

The Association is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and commitments. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, amounts due to government agencies and its ability to provide the activities related to its deferred contributions.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's main credit risks relate to its accounts receivable.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association's revenue and expenses as well as its financial instruments are in Canadian currency. Consequently, the Association is not exposed to foreign exchange fluctuations.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association holds floating rate financial instruments being portions of its cash balances set out in Note 1 to these financial statements which are subject to cash flow risk as interest rates change.

#### 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 Association does not hold any financial instruments that may be exposed to other price risk.

#### Changes in risk

There have been no significant changes in the Association's risk exposures from the 2019 fiscal year.

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## National Association of Friendship Centres Notes to Financial Statements

**March 31, 2020**

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**12. Subsequent Event and Impact of COVID-19**

The emergence of a novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in certain emergency measures to combat the spread of the virus in Canada and other areas of the world, including implementation of social distancing measures, forced closure of businesses in certain industries and schools and travel bans. While the full impact of the COVID-19 outbreak is unknown at this time, it could have a material impact on the Association's operations.

Subsequent to year-end, the Association received \$3,750,000 in additional non-recurring funding related to COVID-19 relief from Indigenous Services Affairs Canada. The Association will use the funds to create measures to prepare for, prevent, and respond to the spread of COVID-19. The Association is also in negotiation to repurpose a portion of the amount due to government agencies indicated in Note 9 to be able to use the funds for COVID-19 relief.

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**13. Corresponding Amounts and Disclosures**

In certain instances, 2019 fiscal year corresponding amounts and disclosures presented have been reclassified to conform to the financial statement presentation and disclosures adopted for the 2020 fiscal year.

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