

**CAUSE CANADA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**



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# CAUSE CANADA

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FOR THE YEAR ENDED MARCH 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
**CAUSE CANADA**

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To the Members of **CAUSE Canada**

### Opinion

We have audited the accompanying financial statements of **CAUSE Canada**, which comprise the statement of financial position as at March 31, 2019 and the statements of changes in net assets, operations 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 **CAUSE Canada** as at March 31, 2019, 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.

### 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 Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of **CAUSE Canada** 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 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 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.

In preparing the financial statements, management is responsible for assessing **CAUSE Canada'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 **CAUSE Canada** or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing **CAUSE Canada'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 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 audit 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 judgement and maintain a 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 resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls 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 **CAUSE Canada'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 cause significant doubt on **CAUSE Canada'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 **CAUSE Canada** 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.

Edmonton, Alberta  
September 30, 2019

  
CHARTERED PROFESSIONAL ACCOUNTANTS



# CAUSE CANADA

## STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	2019	2018
	(Restated - Note 12)	
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 206,146	\$ 181,326
Accounts receivable (Note 4)	5,553	40,746
Donated investments	22,402	22,402
Prepaid expenses and deposits	24,141	8,484
	<u>258,242</u>	<u>252,958</u>
<b>CAPITAL ASSETS (Note 5)</b>	<u>235,024</u>	<u>266,180</u>
	<u>\$ 493,266</u>	<u>\$ 519,138</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 87,998	\$ 19,310
Deferred contributions (Note 6)	21,458	28,610
	<u>109,456</u>	<u>47,920</u>
<b>MICROCREDIT LOAN OBLIGATION (Note 8)</b>	<u>146,946</u>	<u>100,290</u>
	<u>256,402</u>	<u>148,210</u>
<b>NET ASSETS</b>		
<b>INVESTED IN CAPITAL ASSETS</b>	<u>235,024</u>	<u>266,180</u>
<b>UNRESTRICTED NET ASSETS</b>	<u>1,840</u>	<u>104,748</u>
	<u>236,864</u>	<u>370,928</u>
	<u>\$ 493,266</u>	<u>\$ 519,138</u>

APPROVED ON BEHALF OF THE BOARD:

*Janette Mighawander* Director

*Deanne Fre* Director



# CAUSE CANADA

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2019

	2019		2018	
			(Restated - Note 12)	
	Invested in Capital Assets	Unrestricted	Total	Total
<b>NET ASSETS</b> , beginning of year	\$ 266,180	\$ 104,748	\$ 370,928	\$ 412,561
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	(64,240)	(69,824)	(134,064)	(41,633)
<b>PURCHASE OF CAPITAL ASSETS</b>	33,084	(33,084)	-	-
<b>NET ASSETS</b> , end of year	\$ 235,024	\$ 1,840	\$ 236,864	\$ 370,928





# CAUSE CANADA

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
		(Restated - Note 12)
<b>REVENUE</b>		
Microcredit finance revenue	\$ 217,155	\$ 243,252
Events	51,269	86,694
International organizations	148,001	432,551
Government of Canada	1,249,734	1,023,852
Designated donations	108,946	150,737
General donations	139,724	198,909
CAUSE kids sponsorship	208,678	240,089
Foundation revenue	210,914	326,993
Government of Alberta	12,800	-
Interest and miscellaneous	11,403	4,388
	<u>2,358,624</u>	<u>2,707,465</u>
<b>EXPENSES</b>		
Amortization	64,240	61,160
MNCH program (Guatemala and Honduras)	1,174,537	1,050,319
CAUSE Canada programs (Sierra Leone)	588,114	544,194
Microcredit programs	262,552	234,686
International organizations programs	126,853	440,862
Administration	243,571	346,232
Fundraising	32,395	70,603
	<u>2,492,262</u>	<u>2,748,056</u>
<b>TOTAL EXPENSES</b>		
	<u>2,492,262</u>	<u>2,748,056</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<u>(133,638)</u>	<u>(40,591)</u>
<b>OTHER INCOME (LOSS)</b>		
Impairment of microcredit loan portfolio (Note 8)	(1,203)	(1,201)
Gain on disposal of property and equipment	777	159
	<u>(426)</u>	<u>(1,042)</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<u>\$ (134,064)</u>	<u>\$ (41,633)</u>



# CAUSE CANADA

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Cash receipts from donations and grants	\$ 2,106,412	\$ 2,322,314
Cash receipts from microcredit finance revenue	217,155	243,252
Cash receipts from events	51,269	86,694
Cash receipts from interest	11,403	4,388
Cash paid to suppliers and employees	(2,374,991)	(2,729,503)
	<u>11,248</u>	<u>(72,855)</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Purchase of capital assets	(33,084)	(37,833)
Change in microcredit loan obligation	46,656	18,536
	<u>13,572</u>	<u>(19,297)</u>
<b>CASH USED IN FINANCING ACTIVITY</b>		
Repayment of amounts due to related parties	-	(23,000)
		<u>(23,000)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>24,820</b>	<b>(115,152)</b>
<b>CASH, beginning of year</b>	<b>181,326</b>	<b>296,478</b>
<b>CASH, end of year</b>	<b>\$ 206,146</b>	<b>\$ 181,326</b>





## 1. NATURE OF OPERATIONS

Cause Canada was incorporated under the Canadian Corporations Act on June 18, 1984. The Organization is a charitable, non-profit organization incorporated for the following purposes:

- (a) to enable socio-economically disadvantaged communities to achieve, in so far as possible, community self-reliance;
- (b) to provide emergency assistance to people in need; and,
- (c) to encourage dialogue on development issues between all people.

CAUSE Canada is a registered charity with the Canada Revenue Agency and as such the Organization is exempt from income taxes pursuant to paragraph 149(1)(l) of the Income Tax Act.

The assets of the Organization are intended for charitable use and, in the event of dissolution, any remaining assets will be donated to other charitable, not-for-profit organizations in Canada.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following accounting policies:

### (a) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known. Estimated life of property and equipment and inventory valuation, if applicable, are the most significant items that involve the use of estimates.

### (b) Financial Instruments

#### *Measurement of financial instruments*

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

The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost, except in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, amounts due to related parties and a microcredit loan obligation.

The Organization's financial assets, if any, measured at fair value include investments that are quoted shares.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Financial Instruments (continued)

#### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. 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 net income.

#### *Transaction costs*

The Organization recognizes its transaction costs, if any, in net income in the period incurred. However, 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.

### (c) Donated Investments

Donated investments consist of artworks, precious metals and other donated non-financial investments. These are stated at cost. Any impairments to cost are recognized in income in the period in which they are incurred.

### (d) Capital Assets

Capital assets are stated at cost. Amortization is provided annually and calculated to write-off the assets over their estimated useful lives using the straight-line method over the following terms.

Buildings	40 years
Leasehold improvements	5 years
Office equipment	5 years
Automotive equipment	5 years

### (e) Allocation of Expenditures

Expenses are recorded and reported by program, revenue generating and support services. Certain officers and employees perform a combination of program, fundraising and administrative activities and, as a result, salaries are allocated based on time dedicated to each activity. Other operating and general costs have been allocated based on the level of benefit received by each program and support service. Such allocations are reviewed annually, updated and applied on a prospective basis.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Contributions subject to external restrictions from funders are recognized as revenue in the year in which the related expenses are recognized.

The Organization internally restricts the use of portions of its unrestricted net assets for specific future uses. When incurred, related expenses are charged to operations and the balance of internally restricted net assets is reduced accordingly.

Donated capital assets and contributions received towards the acquisition of capital assets are deferred and amortized to income on the same basis as the related depreciable capital assets are amortized.

(g) Cash and Cash Equivalents

The Organization's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts and lines of credit with balances that fluctuate frequently from being positive to overdrawn.

(h) Foreign Currency Transactions

The Organization uses the temporal method to translate its foreign currency transactions.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations, except for cost of inventories and amortization translated at historic rate, are translated at average year rates. Exchange gains and losses are included in the statement of operations.

(i) Donated Services

The Organization benefits greatly from the donated services of its many dedicated volunteers. The value of these volunteer efforts is not recognized in the financial statements due to the difficulty in determining fair value.

(j) Investment in Capital Assets

Investment in capital assets represents the net carrying cost of assets funded from unrestricted and contributed capital assets.

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# CAUSE CANADA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

### 3. CASH

	2019	2018
Funds on deposit (overdraft) in Canada	\$ 47,906	\$ (35,434)
Funds on deposit in overseas field offices	158,240	216,760
Total cash	<u>\$ 206,146</u>	<u>\$ 181,326</u>

The Organization has an operating line of credit agreement with a maximum of \$80,000 and an interest rate of prime plus 1.5%. The line of credit was not drawn upon as at March 31, 2019 (2018 - \$34,434).

### 4. ACCOUNTS RECEIVABLE

	2019	2018
Designated donations receivable	\$ 245	\$ -
Office receivables	2,998	29,989
Goods and Services Tax recoverable	2,310	10,757
	<u>\$ 5,553</u>	<u>\$ 40,746</u>

### 5. CAPITAL ASSETS

	2019			2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 11,192	\$ -	\$ 11,192	\$ 11,192
Buildings	113,544	41,239	72,305	75,144
Leasehold improvements	37,833	15,133	22,700	30,266
Office equipment	325,242	301,236	24,006	32,601
Automotive equipment	911,334	806,513	104,821	116,977
	<u>\$ 1,399,145</u>	<u>\$ 1,164,121</u>	<u>\$ 235,024</u>	<u>\$ 266,180</u>



# CAUSE CANADA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

### 6. DEFERRED CONTRIBUTIONS

Deferred contributions represent an amount related to the tenant improvement allowance, which represents amounts received to cover the cost of leasehold improvements incurred during a previous year. The receipt of funds is directly related to the lease agreement and will be brought into income over the term of the lease.

			2019		2018
	Opening	Received	Recognized as Revenue	Total	Total
Tenant improvement allowance	\$ 28,610	\$ -	\$ (7,152)	\$ 21,458	\$ 28,610

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable	\$ 87,998	\$ 19,310

Included in accounts payable are credit card liabilities of \$10,745 (2018 - \$2,745). The Organization has two credit cards with an authorized credit limit, in aggregate, of \$20,000. These credit cards bear interest at a rate of 18.40% per annum, calculated and payable monthly.

Accounts payable also includes government remittances payable of \$10,691 (2018 - \$Nil).

### 8. MICROCREDIT LOAN ASSET AND OBLIGATION

Draws from the Butterfly Effect Microcredit Foundation endowment principal are used to finance microcredit loans in Guatemala, Honduras and Sierra Leone. These microcredit loans are administered by the Organization pursuant to the terms of Agency Agreements between the Organization and the Butterfly Effect Microcredit Foundation.

As a condition of these agreements, which have ten year terms from the date of advance of endowment principal, both parties will participate in the interest earned on the portfolio with the Organization's share required to be used solely for the administration of the program. At the end of the project, the Organization is required to repay the full amount of the principal advanced on microcredit loans to the Butterfly Effect Microcredit Foundation. The agreements indicate that the Organization will not be responsible for any foreign currency losses upon eventual repayment.

The microcredit loan obligation represents the difference between the balance of the microcredit loan portfolio outstanding, converted into Canadian dollars, and the endowment principal required to be repaid.

	2019	2018
Microcredit loan obligation	\$ 146,946	\$ 100,290

In addition to identifying specific impaired loans, the Organization estimates an annual loss provision for the loan portfolio and adjusts the microcredit loan obligation accordingly. The impairment recognized on the statement of operations is (\$1,203) (2018 - (\$1,201)).





# CAUSE CANADA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

### 8. MICROCREDIT LOAN ASSET AND OBLIGATION (continued)

As at March 31, 2019, the microcredit loan portfolio and endowment principal balances were:

	<u>2019</u>	<u>2018</u>
Microcredit loan portfolio		
Guatemala	\$ 600,453	\$ 597,952
Honduras	88,822	80,865
Sierra Leone	46,777	36,700
Loan loss provision	(23,218)	(22,015)
Restricted bank balances	<u>68,958</u>	<u>86,807</u>
Total microcredit loan portfolio	<u>\$ 781,792</u>	<u>\$ 780,309</u>
Endowment principal	<u>\$ 928,738</u>	<u>\$ 880,599</u>

The microcredit loan obligation is the difference between the microcredit loan portfolio and the endowment principal balance (endowment principal advances plus Butterfly Effect Microcredit Foundation's reinvested share of interest income).

### 9. CONTINGENCY

The Organization provides life insurance to borrowers of microcredit loans in Sierra Leone. In the event of the death of a borrower, the Organization is liable to forgive the unpaid principal outstanding on the microcredit loan and provide a death benefit of \$100. As at March 31, 2019, management considers the potential loss from such underwriting activities to not be determinable. Should any loss result from the underwriting of these insurance contracts, such loss will be charged to operations in the year of resolution.

### 10. COMMITMENTS

The Organization has an operating lease for its premises at \$1,410 per month plus operating costs, under lease expiring in January 2023.

The minimum annual lease payments for the next four years are as follows:

2020	\$ 16,920
2021	16,920
2022	16,920
2023	<u>14,100</u>
	<u>\$ 64,860</u>





### 11. FINANCIAL INSTRUMENTS

*Risks and concentrations*

The Organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial statement liabilities. The Organization is exposed to this risk mainly in respect of its long-term debt and accounts payable and accrued liabilities.

*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 Organization's main credit risks relate to accounts receivable and microcredit loans receivable. The Organization provides credit to its overseas microcredit borrowers in the normal course of operations which entails credit 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 exchange rates. The Organization is exposed to currency risk as it applies to the Organization's microcredit financing activities which take place in foreign jurisdictions and its foreign currency denominated bank accounts.

### 12. PRIOR PERIOD ADJUSTMENT

During the course of the fiscal year, it was identified that the comparative accounts payable and accrued liabilities balance and payroll expense was overstated. The overstatement related to an accrual by the Organization of an employee severance obligation in a foreign jurisdiction. During the current fiscal year it was determined that the amount was not in fact currently payable. The resulting adjustments to the comparative figures are as follows:

	Previously Reported	Adjustments	Restated
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 40,935	\$ (21,625)	\$ 19,310
<u>Net Assets</u>			
Unrestricted net assets	\$ 83,123	\$ 21,625	\$ 104,748
<u>Statement of Operations</u>			
CAUSE Canada programs (Sierra Leone)	\$ 565,819	\$ (21,625)	\$ 544,194

