

**THE CANADIAN COMMUNITY
ECONOMIC DEVELOPMENT NETWORK**

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**

INDEPENDENT AUDITOR'S REPORT

To the directors
THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Opinion

We have audited the financial statements of THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK (« the Organization »), which comprise the balance sheets as at December 31, 2018, and the statements of income, of changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the « Basis for Qualified Opinion » paragraphs, the accompanying financial statements present fairly, in all material respects, the financial position of the the Organization as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for non-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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for non-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with management are responsible for overseeing the Organization'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 on the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we concluded 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 auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with management the expected extent and timing of our audit work and our significant observations, including all important deficiencies in the Organization's internal control that we could have noted during our audit.

Groupe RDL Victoriaville SENCRL

Groupe RDL Victoriaville SENCRL ¹
Société de comptables professionnels agréés

Victoriaville,
May 24, 2019

¹ Joël Minville, CPA auditor, CA

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Statement of Income

For the year ended December 31

2018

2017

REVENUE

Grants and contribution agreements :

Government contributions	\$	943,690	\$	793,399
Community/Charitable sector		873,559		1,019,284
Other grants and contribution agreements		11,286		15,800

Earned and unrestricted income :

Events		210,142		229,616
Contracted services		20,597		30,136
Memberships		39,557		41,433
Donations and other revenues		8,225		11,890
Interest		4,547		2,295

2,111,603 **2,143,853**

CHARGES

Direct project costs (schedule A)		857,383		1,085,503
Board, committees and members (schedule B)		23,696		33,582
Staff costs (schedule C)		987,106		803,405
Administration (schedule D)		167,260		143,305
Amortization of capital assets		3,006		1,347

2,038,451 **2,067,142**

SURPLUS OF REVENUE OVER EXPENSES

\$ 73,152 **\$ 76,711**

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Statement of changes in net assets

For the year ended December 31

2018

2017

	Restricted	Invested in capital assets	Unrestricted	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 239,234	\$ 3,475	\$ -	\$ 242,709	\$ 165,998
Surplus of revenue over expenses	69,749	(3,006)	6,409	73,152	76,711
Investments in capital assets	-	6,409	(6,409)	-	-
BALANCE, END OF YEAR	\$ 308,983	\$ 6,878	\$ -	\$ 315,861	\$ 242,709

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Balance Sheet

As at December 31

2018

2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	424,235	\$	133,043
Accounts receivable (note 4)		249,691		363,273
Prepaid expenses		<u>10,822</u>		<u>11,351</u>
		684,748		507,667

CAPITAL ASSETS (note 5)

		<u>6,878</u>		<u>3,475</u>
	\$	691,626	\$	511,142

LIABILITIES

CURRENT LIABILITIES

Accounts payable (note 7)	\$	79,525	\$	92,322
Deferred revenue and contributions		<u>296,240</u>		<u>176,111</u>
		375,765		268,433

NET ASSETS

NETS ASSETS RESTRICTED		308,983		239,234
NETS ASSETS INVESTED IN CAPITAL ASSETS		<u>6,878</u>		<u>3,475</u>
		315,861		242,709
	\$	691,626	\$	511,142

On behalf of the Board:

_____, Director

_____, Director

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Statement of Cash Flows

For the year ended December 31

2018

2017

OPERATING ACTIVITIES

Surplus of revenue over expenses	\$	73,152	\$	76,711
Adjustments for:				
Amortization of capital assets		<u>3,006</u>		<u>1,347</u>
		76,158		78,058

Net change in non-cash working capital items

Accounts receivable		113,582		(112,715)
Prepaid expenses		529		(3,008)
Accounts payable		(12,797)		55,372
Deferred revenue and contributions		<u>120,129</u>		<u>(223,998)</u>
		221,443		(284,349)

297,601 (206,291)

INVESTING ACTIVITIES

Net change in advances to organizations		-		86,000
Acquisition of capital assets		<u>(6,409)</u>		<u>(4,484)</u>
		(6,409)		81,516

NET INCREASE (NET DECREASE) IN CASH AND CASH EQUIVALENTS

291,192 (124,775)

CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR

133,043 257,818

CASH AND CASH EQUIVALENTS, END OF YEAR (note 9)

\$ **424,235** \$ 133,043

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Notes to Financial Statements

For the year ended December 31, 2018

1. ARTICLES OF INCORPORATION

The Organization is governed under the Canada Not-for-profit Corporations Act and is consequently exempt from income taxes. The objects of the organization are to alleviate poverty, reduce unemployment, and relieve suffering in economically challenged communities.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statements

The Organization apply the Canadian Accounting Standards for non-profit organizations of the part III of the Canadian CPA handbook in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements in conformity with canadian accounting standards for non-profit organization requires management to make estimates that affect the reported amounts 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 reporting periods presented. Actual results could differ from estimates made by management.

Revenues recognition

Contributions

The Organization uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net asset.

Membership, event and other revenues

The Organization recognizes its membership, event and other revenues when all significant acts have been completed and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents consist of working funds, bank account balances including bank overdrafts that vary over time from overdraft to cash, and highly liquid investments that can easily be converted on short notice into a pre-determined cash amount without risk of significant variation in value.

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Notes to Financial Statements

For the year ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain operations that are not concluded as an arm's length transaction.

It subsequently measures all of its assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost are represented by cash and cash equivalents and accounts receivable

Financial liabilities measured at amortized cost are represented by the accounts payable.

Impairment

Financial assets measured at cost are tested for impairment if there are indications of possible impairment. The amount of impairment loss is recognized in net income. The impairment loss previously recognized shall be reversed to the extent of the improvement, either directly or by adjusting the allowance account, and must be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. This reversal is recognized in net income.

Transaction costs

The Organization recognizes its transaction costs in net income in the period incurred. However, financial instruments that are not subsequently measured at fair value are increased by the transaction costs directly attributable to the creation, issue or support.

Capital assets

Fixed assets are recorded at cost and depreciated over their estimated useful lives as follows:

	Depreciation Method	Rates
Computer equipment	Declining	45 %

Impairment of long-lived assets

When events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, undiscounted estimated cash flows are projected over their remaining term and compared to the carrying amount. To the extent such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amounts of related assets, a charge is recorded to reduce the carrying amount to equal projected future discounted cash flows.

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Notes to Financial Statements

For the year ended December 31, 2018

3. INTERNALLY RESTRICTED NET ASSETS

During the financial year, the Board of Directors decided to allocate an amount of \$69,748, thus bringing the total allocated amounts to \$308,982. In 2012, the Board of Directors adopted a reserve policy and decided to create two new funds: Sustainability Fund and Program Funds. Those allocations help to finance programs' and general activities when the financial resources of the organization are insufficient. The Organization cannot use those amounts received as allocation without the prior authorization of the Board of Directors. The amounts allocated are divided as follows:

	<u>2018</u>	<u>2017</u>
Sustainability Fund	\$ 123,957	\$ 62,330
Program Funds	<u>185,025</u>	<u>176,904</u>
	<u>\$ 308,982</u>	<u>\$ 239,234</u>

4. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Receivables	\$ 233,706	\$ 349,473
Interest	3,958	1,024
Goods and services tax	<u>12,027</u>	<u>12,776</u>
	<u>\$ 249,691</u>	<u>\$ 363,273</u>

5. CAPITAL ASSETS

	<u>2018</u>		<u>2017</u>	
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	\$ 19,892	\$ 13,014	\$ 6,878	\$ 3,475
Furniture and equipment	<u>2,110</u>	<u>2,110</u>	-	-
	<u>\$ 22,002</u>	<u>\$ 15,124</u>	<u>\$ 6,878</u>	<u>\$ 3,475</u>

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Notes to Financial Statements

For the year ended December 31, 2018

6. LINE OF CREDIT

The Organization benefits from an authorized line of credit for a total amount of \$50,000, bearing interest at prime rate plus 2.5%. The line of credit is renegotiable on a yearly basis.

7. ACCOUNTS PAYABLE

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 56,653	\$ 45,726
Wages and benefits	22,372	24,793
Accrued liabilities	<u>500</u>	<u>21,803</u>
	<u>\$ 79,525</u>	<u>\$ 92,322</u>

8. DEFERRED REVENUES AND CONTRIBUTIONS

Funds received in the current fiscal year that will be recognized as revenues in a subsequent year when all significant acts will be completed or when expenses will be engaged, are as follows:

	<u>2018</u>	<u>2017</u>
Government contributions	\$ 169,671	\$ 80,052
Community/Charitable sector	87,325	58,792
Other restricted income	20,677	18,563
Membership	<u>18,597</u>	<u>18,704</u>
	<u>\$ 296,270</u>	<u>\$ 176,111</u>

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Notes to Financial Statements

For the year ended December 31, 2018

9. INFORMATION ON CASH FLOWS

Cash and cash equivalents

	2018	2017
Cash	\$ 266,735	\$ 75,543
Term deposits	<u>157,500</u>	<u>57,500</u>
	<u>\$ 424,235</u>	<u>\$ 133,043</u>

10. FINANCIAL RISKS

Liquidity risk

Liquidity risk is the risk that an entity encounters difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly regarding its accounts payable. Management believes that the Organization has the liquidity to meet its commitments.

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 main credit risks for the Organization are related to the clients. The Organization extends credit to its customers in the ordinary course of business. Thus, the Organization is exposed to a concentration of credit on its clients. As at December 31, 2018, a sum of \$186,204 was due from two customers.

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. The Company is mainly exposed to interest risk.

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 instruments with a fixed interest rate subjugates the Company to a risk of fair value and those with a variable interest rate, to a risk of cash flows. The Company is exposed to the interest rate risk regarding its financial instruments with a variable interest rate. Management believes that a change in the interest rate of 1% would not have any significant impact on the results or the financial condition of the Company.

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Notes to Financial Statements

For the year ended December 31, 2018

11. COMMITMENTS

Leases

The Organization rents office space under leases maturing between June 2019 and August 2020. The future minimum rents totalled \$43,600 and include the following payments for the next two years:

2019	\$	32,754
2020	\$	10,846

12. COMPARATIVE FIGURES

Certain figures of 2017 have been reclassified to make their presentation identical to that adopted in 2018.

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Supplementary Information

For the year ended December 31

2018

2017

SCHEDULE A DIRECT PROJECT COSTS

Contractors	\$	652,239	\$	820,273
Communications		11,293		17,041
Travel and meals		23,201		34,663
Professional development		20,705		8,148
Credit card processing fees		1,951		2,800
Materials and supplies		13,166		17,207
Promotion, design and publications		26,154		29,708
Meeting, events, rooms and equipment rental		94,995		115,297
Grants		2,600		26,600
Translation		11,079		13,766
	\$	857,383	\$	1,085,503

SCHEDULE B BOARD, COMMITTEES AND MEMBERS

Meeting, travel and meals	\$	23,696	\$	33,582
---------------------------	----	--------	----	--------

SCHEDULE C STAFF COSTS

Wages and benefits	\$	987,106	\$	803,405
--------------------	----	---------	----	---------

THE CANADIAN COMMUNITY ECONOMIC DEVELOPMENT NETWORK

Supplementary Information

For the year ended December 31

2018

2017

SCHEDULE D ADMINISTRATION

Insurance	\$	5,075	\$	4,583
Communications		2,767		1,882
Membership dues		188		788
Events		24,056		25,109
Employee training costs		15,038		-
Bank charges and online transaction costs		4,739		4,905
Equipment related costs		1,150		1,547
Office operations and supplies		9,351		7,638
Internet		17,241		21,684
Rent		61,427		48,222
Promotion, design and publications		3,975		4,081
Professional services		21,157		21,553
Translation		1,096		1,313
	\$	167,260	\$	143,305