CAUSE CANADA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

CAUSE CANADA

FOR THE YEAR ENDED MARCH 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of

CAUSE CANADA

We have audited the accompanying financial statements of **CAUSE Canada**, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets 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.

Auditors' 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal control relevant to the entity'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 entity'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **CAUSE Canada** as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

SVS Group LLP

Edmonton, Alberta
September 18, 2017

CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash (Note 3)	**$ 296,478**	$ 193,377
Accounts receivable (Note 5)	**9,253**	394,641
Short-term investments (Note 4)	**-**	30,000
Donated investments	**22,402**	22,402
Prepaid expenses	**4,456**	573
	332,589	640,993
CAPITAL ASSETS (Note 6)	**298,961**	113,628
	$ 631,550	$ 754,621
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	**$ 37,513**	$ 65,347
Deferred contributions (Note 7)	**74,793**	418,997
Deposits	**-**	2,631
	112,306	486,975
Due to related parties (Note 10)	**23,000**	45,000
	135,306	531,975
MICROCREDIT LOAN OBLIGATION (Note 9)	**83,685**	11,069
	218,991	543,044
NET ASSETS		
INVESTED IN CAPITAL ASSETS	**298,961**	113,628
UNRESTRICTED NET ASSETS	**113,598**	97,949
	412,559	211,577
	$ 631,550	$ 754,621

APPROVED ON BEHALF OF THE BOARD:

_______________________ Director

_______________________ Director

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	Invested in Capital Assets	Unrestricted	2017 Total	2016 Total
Net assets, beginning of year	$ 113,628	$ 97,949	$ 211,577	$ 207,010
Excess (deficiency) of revenue over expenses	(67,668)	268,650	200,982	4,567
Purchase of capital assets	253,001	(253,001)	-	-
Net assets, end of year	$ 298,961	$ 113,598	$ 412,559	$ 211,577

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
REVENUE		
International organization revenue	**$ 819,404**	$ 540,508
Life insurance premiums	**-**	1,753
Microcredit finance revenue	**209,565**	233,863
Events	**66,405**	239,557
Government of Alberta	**15,000**	15,000
Government of Canada	**1,005,031**	13,842
Designated donations	**275,847**	267,494
General donations	**577,806**	248,347
CAUSE kids program	**570,503**	448,221
Interest and miscellaneous	**231**	386
	3,539,792	2,008,971
PROGRAM EXPENSES		
Guatemala	**119,667**	147,312
Honduras	**56,454**	84,071
Information and education	**13,162**	45,615
Maternal, Newborn and Child Health	**1,035,520**	13,842
Program management and development	**210,149**	211,522
Sierra Leone	**1,504,603**	1,062,820
Amortization	**67,668**	22,038
	3,007,223	1,587,220
SUPPORT EXPENSES		
Administration	**173,257**	156,363
Fundraising	**134,771**	164,251
Events	**20,429**	97,431
	328,457	418,045
TOTAL EXPENSES	**3,335,680**	2,005,265
EXCESS OF REVENUE OVER EXPENSES	**204,112**	3,706
RECOVERY (IMPAIRMENT) OF MICROCREDIT LOANS RECEIVABLE PORTFOLIO (Note 9)	**(3,130)**	861
EXCESS OF REVENUE OVER EXPENSES	**$ 200,982**	$ 4,567

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash receipts from donations and grants	**$ 3,301,645**	$ 1,486,550
Cash receipts from microcredit finance revenue	**209,565**	233,863
Cash receipts from life insurance premiums	**-**	1,753
Cash receipts from events	**66,405**	239,557
Cash receipts from interest	**231**	386
Cash paid for program expenses	**(3,041,575)**	(1,525,825)
Cash paid for support expenses	**(260,785)**	(418,045)
	275,486	18,239
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of capital assets	**(253,001)**	-
Change in microcredit loan obligation	**72,616**	(3,547)
Proceeds on disposal of short-term investments	**30,000**	30,000
	(150,385)	26,453
CASH USED IN FINANCING ACTIVITY		
Repayment of amounts due to related parties	**(22,000)**	(10,000)
INCREASE IN CASH DURING THE YEAR	**103,101**	34,692
CASH, beginning of year	**193,377**	158,685
CASH, end of year	**$ 296,478**	$ 193,377

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, non-profit organizations in Canada.

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 short-term 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.

3. CASH

	2017	2016
Funds on deposit in Canada	$ 56,665	$ 47,370
Funds on deposit in overseas field offices	239,813	146,007
Total cash	$ 296,478	$ 193,377

4. SHORT-TERM INVESTMENTS

	2017	2016
GIC's	$ -	$ 30,000

The short-term investments are comprised of GIC's held with a Canadian chartered bank with an effective interest rate of approximately 0.85%, which matured in the year.

5. ACCOUNTS RECEIVABLE

	2017	2016
Maternal, Newborn and Child Health receivable	$ -	$ 370,339
Office receivables	3,517	4,358
Event receivables	-	10,350
Goods and Services Tax recoverable	5,736	9,594
	$ 9,253	$ 394,641

6. CAPITAL ASSETS

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11,192	$ -	$ 11,192	$ 11,192
Buildings	113,544	35,561	77,983	80,822
Leasehold improvements	30,427	30,427	-	1,604
Office equipment	320,751	281,718	39,033	2,238
Automotive equipment	899,652	728,899	170,753	17,772
	$ 1,375,566	$ 1,076,605	$ 298,961	$ 113,628

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent fundraising proceeds and certain restricted donations.

	Opening	Received	Recognized as Revenue	2017 Total	2016 Total
Restricted Fund					
CAUSE kids	$ 32,500	$ 12,500	$ (32,500)	$ 12,500	$ 32,500
Designated donations	30,000	-	(30,000)	-	30,000
Maternal, Newborn and Child Health funding	356,497	694,323	(1,006,405)	44,415	356,497
UNICEF nutrition	-	675,765	(657,887)	17,878	-
				$ 74,793	$ 418,997

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Accounts payable	$ 37,513	$ 52,769
Government remittances payable	-	12,578
	$ 37,513	$ 65,347

Included in accounts payable are credit card liabilities of $21,011 (2016 - $18,459). The Organization has two credit cards with an authorized credit limit, in aggregate, of $36,900. These credit cards bear interest at a rate of 18.40% per annum, calculated and payable monthly.

9. 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.

	2017	2016
Microcredit loan obligation	**$ 83,685**	$ 11,069

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 recovery (impairment) recognized on the statement of operations is ($3,130) (2016 - $861).

As at March 31, 2017, the microcredit loan portfolio and endowment principal balances were:

	2017	2016
Microcredit loan portfolio		
Guatemala	**$ 554,696**	$ 461,161
Honduras	**96,854**	121,470
Sierra Leone	**44,165**	124,708
Loan loss provision	**(20,814)**	(17,683)
Restricted bank balances	**73,959**	96,339
Total microcredit loan portfolio	**$ 748,860**	$ 785,995
Endowment principal	**$ 832,545**	$ 797,064

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).

10. RELATED PARTY TRANSACTIONS

The following table summarizes the Organization's related party transactions for the year:

	2017	2016
Revenue		
Sales of product to:		
- Marathon revenue received from a company owned by two members of management	**$ 27,000**	$ -
Selling, general and administrative expenses		
- Building rental from two members of management	**$ 36,105**	$ 36,613
- Retirement allowance paid to two members of management	**30,000**	-
- Consulting fees paid to a member of management	**16,250**	-
	$ 82,355	$ 36,613

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product.

At the end of the year, the amounts due to related parties are as follows:

	2017	2016
Due to related parties		
Two members of management	**$ 23,000**	$ 45,000

These balances are non-interest bearing and have no set terms of repayment.

11. 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, 2017, 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.

12. COMMITMENTS

The Organization has an operating lease with a related party (Note 10) for its premises at $2,202 per month, under a month-to-month lease. In addition, the Organization is committed to pay additional rent of $734 per month as determined by the condominium corporation.

The minimum annual lease payment for the next year is $35,232.

13. 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.