# CAUSE CANADA

## FINANCIAL STATEMENTS

**FOR THE YEAR ENDED MARCH 31, 2020**

# CAUSE CANADA

**FOR THE YEAR ENDED MARCH 31, 2020**

**CONTENTS**


| | Page |
|---|---|
| **INDEPENDENT AUDITORS' REPORT** | **3 - 4** |
| **FINANCIAL STATEMENTS** | |
| Statement of Financial Position | **5** |
| Statement of Changes in Net Assets | **6** |
| Statement of Operations | **7** |
| Statement of Cash Flows | **8** |
| Notes to Financial Statements | **9 - 16** |

# INDEPENDENT AUDITORS' REPORT

**To the Members of**

## CAUSE CANADA

To the Members of **CAUSE Canada**

**Qualified Opinion**

We have audited the accompanying financial statements of **CAUSE Canada**, which comprise the statement of financial position as at March 31, 2020 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, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of **CAUSE Canada** as at March 31, 2020, 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 Qualified Opinion**

Our audit opinion relies partially on audits from auditors in each of the countries that **CAUSE Canada** operates in. For the year ended March 31, 2020, no audit report on microcredit lending and operational activities was obtained in Sierra Leone. Therefore, we were not able to determine whether any adjustments might be necessary for operations in Sierra Leone that would impact the statement of financial position as at March 31, 2020 and the statements of changes in net assets, operations and cash flows for the year then ended. Our audit opinion on the the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

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 qualified 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 auditors' 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 uncertainly exists, we are required to draw attention in our auditors' 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 **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.

SVS Group LLP

Edmonton, Alberta
November 12, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

## STATEMENT OF FINANCIAL POSITION
## AS AT MARCH 31, 2020

| | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash (Note 3) | **$ 102,878** | $ 206,146 |
| Accounts receivable (Note 4) | **117,256** | 5,553 |
| Donated investments | **22,402** | 22,402 |
| Prepaid expenses and deposits | **14,782** | 24,141 |
| | **257,318** | 258,242 |
| **CAPITAL ASSETS** (Note 5) | **170,496** | 235,024 |
| | **$ 427,814** | $ 493,266 |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Accounts payable and accrued liabilities (Note 7) | **$ 42,327** | $ 87,998 |
| Deferred contributions (Note 6) | **98,489** | 21,458 |
| Demand loans to be repaid within one year (Note 8) | **217,203** | - |
| | **358,019** | 109,456 |
| **MICROCREDIT LOAN OBLIGATION** (Note 9) | **82,229** | 146,946 |
| | **440,248** | 256,402 |
| **MEMBERS' INTEREST (DEFICIENCY)** | | |
| **INVESTED IN CAPITAL ASSETS** | **170,496** | 235,024 |
| **UNRESTRICTED NET ASSETS** | **(182,930)** | 1,840 |
| | **(12,434)** | 236,864 |
| | **$ 427,814** | $ 493,266 |

**APPROVED ON BEHALF OF THE BOARD:**

_______________________ Director

SIGN HERE

_______________________ Director

## STATEMENT OF CHANGES IN NET ASSETS
## FOR THE YEAR ENDED MARCH 31, 2020

| | Invested in Capital Assets | Unrestricted | 2020 Total | 2019 Total |
|---|---|---|---|---|
| **NET ASSETS**, beginning of year | $ 235,024 | $ 1,840 | $ 236,864 | $ 370,928 |
| **DEFICIENCY OF REVENUE OVER EXPENSES** | (63,600) | (185,698) | (249,298) | (134,064) |
| **DISPOSAL OF CAPITAL ASSETS** | (928) | 928 | - | - |
| **NET ASSETS**, end of year | $ 170,496 | $ (182,930) | $ (12,434) | $ 236,864 |

## STATEMENT OF OPERATIONS
## FOR THE YEAR ENDED MARCH 31, 2020

| | 2020 | 2019 |
|---|---|---|
| **REVENUE** | | |
| Microcredit finance revenue | **$ 204,886** | $ 217,155 |
| Events | **50,316** | 51,269 |
| International organizations | **279,570** | 148,001 |
| Government of Canada | **906,198** | 1,249,734 |
| Designated donations | **54,654** | 108,946 |
| General donations | **164,876** | 139,724 |
| CAUSE kids sponsorship | **179,186** | 208,678 |
| Foundation revenue | **193,765** | 210,914 |
| Government of Alberta | **-** | 12,800 |
| Interest and miscellaneous | **9,199** | 11,403 |
| Administration | **126,891** | - |
| | **2,169,541** | 2,358,624 |
| **EXPENSES** | | |
| Amortization | **63,600** | 64,240 |
| MNCH program (Guatemala and Honduras) | **1,048,166** | 1,174,537 |
| CAUSE Canada programs (Sierra Leone) | **590,752** | 588,114 |
| Microcredit programs | **257,799** | 262,552 |
| International organizations programs | **115,138** | 126,853 |
| PODER program | **66,967** | - |
| Administration (Note 14) | **227,580** | 243,571 |
| Fundraising | **46,676** | 32,395 |
| **TOTAL EXPENSES** | **2,416,678** | 2,492,262 |
| **DEFICIENCY OF REVENUE OVER EXPENSES** | **(247,137)** | (133,638) |
| **OTHER INCOME (LOSS)** | | |
| Impairment of microcredit loan portfolio (Note 9) | **(1,233)** | (1,203) |
| Gain (loss) on disposal of capital assets | **(928)** | 777 |
| | **(2,161)** | (426) |
| **DEFICIENCY OF REVENUE OVER EXPENSES** | **$ (249,298)** | $ (134,064) |

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED MARCH 31, 2020

| | 2020 | 2019 |
|---|---|---|
| **CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | | |
| Cash receipts from donations and grants | **$ 1,869,235** | $ 2,106,412 |
| Cash receipts from microcredit finance revenue | **204,886** | 217,155 |
| Cash receipts from events | **50,316** | 51,269 |
| Cash receipts from interest | **9,199** | 11,403 |
| Cash paid to suppliers and employees | **(2,389,390)** | (2,374,991) |
| | **(255,754)** | 11,248 |
| **CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES** | | |
| Purchase of capital assets | **-** | (33,084) |
| Change in microcredit loan obligation | **(64,717)** | 46,656 |
| | **(64,717)** | 13,572 |
| **CASH PROVIDED BY FINANCING ACTIVITIES** | | |
| Proceeds from demand loans | **217,203** | - |
| **INCREASE (DECREASE) IN CASH DURING THE YEAR** | **(103,268)** | 24,820 |
| **CASH**, beginning of year | **206,146** | 181,326 |
| **CASH**, end of year | **$ 102,878** | $ 206,146 |

## 1. NATURE OF OPERATIONS

Cause Canada was incorporated under the Canadian Corporations Act on June 18, 1984. The Organization is a charitable, not-for-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.

## 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 not-for-profit organizations 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 capital assets is the most significant item 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, demand loans 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

| | 2020 | 2019 |
|---|---|---|
| Funds on deposit in Canada | $ 18,322 | $ 47,906 |
| Funds on deposit in overseas field offices | 84,556 | 158,240 |
| Total cash | $ 102,878 | $ 206,146 |

## 4. ACCOUNTS RECEIVABLE

| | 2020 | 2019 |
|---|---|---|
| Designated donations receivable | $ 11,159 | $ 245 |
| Office receivables | - | 2,998 |
| Government program receivables | 103,471 | - |
| Goods and Services Tax recoverable | 2,626 | 2,310 |
| | $ 117,256 | $ 5,553 |

## 5. CAPITAL ASSETS

| | 2020 | | | 2019 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | $ 11,192 | $ - | $ 11,192 | $ 11,192 |
| Buildings | 113,544 | 44,077 | 69,467 | 72,305 |
| Leasehold improvements | 37,833 | 22,700 | 15,133 | 22,700 |
| Office equipment | 299,148 | 284,965 | 14,182 | 24,006 |
| Automotive equipment | 787,297 | 726,775 | 60,522 | 104,821 |
| | $ 1,249,014 | $ 1,078,517 | $ 170,496 | $ 235,024 |

## 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. It also includes advance payment received for upcoming marathon event and a PODER government project in Honduras and Guatemala.

| | Opening | Received | Recognized as Revenue | 2020 Total | 2019 Total |
|---|---|---|---|---|---|
| **General Fund** | | | | | |
| Tenant improvement allowance | 21,458 | - | (7,152) | $ 14,306 | $ 21,458 |
| Marathon Income | - | 896 | - | 896 | - |
| | | | | 15,202 | 21,458 |
| **Restricted Fund** | | | | | |
| PODER - GAC | - | 150,015 | (66,728) | 83,287 | - |
| | | | | $ 98,489 | $ 21,458 |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2020 | 2019 |
|---|---|---|
| Accounts payable | $ 42,327 | $ 87,998 |

Included in accounts payable are credit card liabilities of $7,332 (2019 - $10,745). 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 $2,193 (2019 - $10,691). This amount is net of the Canada Emergency Wage Subsidy receivable of $8,161.

## 8. DEMAND LOANS

| | 2020 | 2019 |
|---|---|---|
| Prime plus 1.5% demand loan, payable in full prior to December 31, 2020 | **$ 200,000** | $ - |
| Prime plus 1.5% revolving operating line of credit, with a maximum of $80,000 | **17,203** | - |
| | **217,203** | - |
| Less demand loans to be repaid within one year | **217,203** | - |
| | **$ -** | $ - |

These amounts are secured by a General Security Agreement providing the lender with security interest over all present and after-acquired property.

## 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.

| | 2020 | 2019 |
|---|---|---|
| Microcredit loan obligation | **$ 82,229** | $ 146,946 |

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 ($1,233) (2019 - ($1,203)).

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

As at March 31, 2020, the microcredit loan portfolio and endowment principal balances were:

| | 2020 | 2019 |
|---|---|---|
| Microcredit loan portfolio | | |
| Guatemala | $ 625,998 | $ 600,453 |
| Honduras | 82,179 | 88,822 |
| Sierra Leone | 45,688 | 46,777 |
| Loan loss provision | (24,452) | (23,218) |
| Restricted bank balances | 166,425 | 68,958 |
| Total microcredit loan portfolio | $ 895,838 | $ 781,792 |
| Endowment principal | $ 978,067 | $ 928,738 |

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. 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, 2020, 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.

## 11. 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 three years are as follows:

| | |
|---|---|
| 2021 | $ 16,920 |
| 2022 | 16,920 |
| 2023 | 14,100 |
| | $ 47,940 |

## 12. SUBSEQUENT EVENT

Subsequent to the year-end, a global pandemic was declared related to COVID-19 (coronavirus), which has had a significant impact on many not-for-profit organizations through the public health orders and other restrictions put in place by the Canadian, Provincial and Municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

In addition, shortly after the year-end, the Organization applied for and received the Canada Emergency Business Account loan provided by the Government of Canada in response to COVID-19. The Federal program provides interest-free loans of up to $40,000 to small businesses and not-for-profits with up to 25% of the principal forgiven if repaid by December 2022. The loan was received in May 2020.

## 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, demand loans, 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.

## 14. CANADA EMERGENCY WAGE SUBSIDY (CEWS)

Administration expenses for the year are net of CEWS amounts receivable of $8,161. CEWS was available for certain Canadian small businesses and not-for-profit organizations that met certain criteria to recover a portion of wages paid to employees.