CAUSE CANADA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

CAUSE CANADA

FOR THE YEAR ENDED MARCH 31, 2022

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Members of

CAUSE CANADA

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, 2022 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, 2022, 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.

Other Matter

The financial statements for the year ended March 31, 2021 have been restated as described in Note 13.

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 judgment 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
September 29, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	2022	2021 (Restated - Note 13)
ASSETS		
CURRENT		
Cash (Note 3)	$ **78,210**	$ 181,257
Accounts receivable (Note 4)	**20,074**	7,277
Donated investments	**22,402**	22,402
Prepaid expenses and deposits	**17,512**	11,245
	138,198	222,181
CAPITAL ASSETS (Note 5)	**75,171**	106,896
	$ **213,369**	$ 329,077
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	$ **44,419**	$ 49,590
Deferred contributions (Note 6)	**31,695**	91,327
	76,114	140,917
MICROCREDIT LOAN OBLIGATION (Note 8)	**-**	134,999
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (Note 9)	**40,000**	40,000
	116,114	315,916
NET ASSETS		
INVESTED IN CAPITAL ASSETS	**75,171**	106,896
UNRESTRICTED NET ASSETS	**22,084**	(93,735)
	97,255	13,161
	$ **213,369**	$ 329,077

APPROVED ON BEHALF OF THE BOARD:

_______________________ Director

_______________________ Director

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2022

						2022		2021
								(Restated - Note 13)
		Invested in Capital Assets		**Unrestricted**		**Total**		Total
NET ASSETS, beginning of year	**$**	**106,896**	**$**	**(93,735)**	**$**	**13,161**	$	(78,828)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		**(31,725)**		**115,819**		**84,094**		91,989
NET ASSETS, end of year	**$**	**75,171**	**$**	**22,084**	**$**	**97,255**	$	13,161

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021 (Restated - Note 13)
REVENUE		
Microcredit finance revenue	**$ 132,987**	$ 174,891
Events	**20,139**	24,176
International organizations	**160,221**	407,303
Government of Canada	**445,038**	739,078
Designated donations	**67,038**	105,389
General donations	**206,178**	122,923
CAUSE kids sponsorship	**175,065**	174,529
Foundation revenue	**447,973**	249,868
Canada Emergency Business Account loan (Note 9)	**-**	20,000
Interest and miscellaneous	**26,395**	5,876
Administration	**-**	7,905
	1,681,034	2,031,938
EXPENSES		
Amortization	**31,725**	63,600
MNCH program (Guatemala and Honduras)	**-**	225,222
CAUSE Canada programs (Sierra Leone)	**652,170**	371,033
Microcredit programs	**149,478**	225,743
International organizations programs	**161,721**	359,849
PODER program	**416,054**	216,416
COVID emergency response programs (CFLI)	**-**	262,149
Administration (Note 12)	**152,932**	148,113
Fundraising	**76,344**	67,597
TOTAL EXPENSES	**1,640,424**	1,939,722
EXCESS OF REVENUE OVER EXPENSES	**40,610**	92,216
INCOME (LOSS) OF MICROCREDIT LOAN OBLIGATION (Note 8)	**43,484**	(227)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	**$ 84,094**	$ 91,989

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021 (Restated - Note 13)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash receipts from donations and grants	**$ 1,455,359**	$ 1,909,585
Cash receipts from microcredit finance revenue	**132,987**	174,891
Cash receipts from events	**20,139**	24,176
Cash receipts from interest	**120**	5,876
Cash paid to suppliers and employees	**(1,576,653)**	(1,931,716)
	31,952	182,812
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Change in microcredit loan obligation	**(134,999)**	52,770
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from Canada Emergency Business Account loan (Note 9)	**-**	60,000
Repayment of demand loans	**-**	(217,203)
	-	(157,203)
INCREASE (DECREASE) IN CASH DURING THE YEAR	**(103,047)**	78,379
CASH, beginning of year	**181,257**	102,878
CASH, end of year	**$ 78,210**	$ 181,257

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 less accumulated amortization. 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

	2022	2021
Funds on deposit in Canada	$ 21,201	$ 91,670
Funds on deposit in overseas field offices	57,009	89,587
Total cash	$ 78,210	$ 181,257

4. ACCOUNTS RECEIVABLE

	2022	2021
Other receivables	$ 1,994	$ -
Grants and funding receivable	15,831	5,000
Goods and Services Tax recoverable	2,249	2,277
	$ 20,074	$ 7,277

5. CAPITAL ASSETS

	2022			2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11,192	$ -	$ 11,192	$ 11,192
Buildings	113,544	49,754	63,790	66,628
Leasehold improvements	37,833	37,833	-	7,567
Office equipment	299,148	298,959	189	5,286
Automotive equipment	787,297	787,297	-	16,223
	$ 1,249,014	$ 1,173,843	$ 75,171	$ 106,896

6. DEFERRED CONTRIBUTIONS

				2022	2021
	Opening	Received	Recognized as Revenue	Total	Total
Tenant improvement allowance	$ 7,153	$ -	$ (7,153)	$ -	$ 7,153
Mother's Day Event	-	2,380	-	2,380	-
60 million girls	-	100,000	(89,799)	10,201	-
PODER - GAC	66,584	381,497	(438,967)	9,114	66,584
Restricted donations	2,816	10,000	(2,816)	10,000	2,816
Guatemala water project	14,774	17,564	(32,338)	-	14,774
	$ 91,327	$ 511,441	$ (571,073)	$ 31,695	$ 91,327

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Accounts payable	$ 44,419	$ 49,590

Included in accounts payable are credit card liabilities of $7,098 (2021 - $5,707). The Organization has one credit card with an authorized credit limit of $9,000. This credit card bears interest at a rate of 18.40% per annum, calculated and payable monthly.

Accounts payable also includes government remittances payable of $10,850 (2021 - $9,402).

8. MICROCREDIT LOAN OBLIGATION

Draws from the Butterfly Effect Microcredit Foundation ("BEMF") 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 BEMF.

As a condition of these agency agreements, which have ten year terms from the date of advance of endowment principal, both parties will participate in the interest earned on the microcredit loan portfolio. The Organization's share required to be used solely for the administration of the microcredit loan program. BEMF's share of interest earned on the portfolio is to be redeployed as microcredit loans and forms part of the endowment principal.

Relevant terms that vary by agency agreement are as follows:

Guatemala

The Organization is not responsible for loan losses on the portfolio to the extent that they are a result of force majeure, borrower defaults or specifically forgiven by BEMF. The Organization is responsible for losses due to theft or fraud, unless the Organization demonstrates in written form that it complied with policies and procedures in place at the time of the loss and those policies and procedures did not prevent the loss due to theft or fraud. In that event, the Organization is only responsible for 75% of the loss due to theft or fraud. The Organization will not be responsible for any foreign currency losses upon eventual repayment of the endowment principal.

Honduras

The Organization is not responsible for loan losses on the portfolio to the extent that they are a result of force majeure. The Organization is responsible to return the full endowment principal at the conclusion of the arrangement. As such, the Organization is responsible for both borrower defaults and losses due to fraud or theft unless specifically forgiven by BEMF. The Organization will not be responsible for any foreign currency losses upon eventual repayment of the endowment principal or losses resulting from force majeure.

Sierra Leone

During the year the microcredit lending program in Sierra Leone was ceased and the endowment principal funds repatriated to Canada. Losses on the endowment portfolio were acknowledged by BEMF and consequently the Organization was only responsible for returning the final endowment funds recovered at the conclusion of the agreement.

The microcredit loan obligation represents the difference between the balance of the endowment principal to be returned to BEMF and the value of the microcredit loan portfolio assets outstanding, net of any foreign exchange losses that the Organization is not responsible for.

	2022	2021
Microcredit loan obligation (Note 13)	**$ -**	$ 134,999

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 loss provision accrued by the Organization at year-end is $1,075 (2021 - $24,679).

9. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

	2022	2021
Canada Emergency Business Account (CEBA) interest-free loan. Repayable on or before December 31, 2023. Subsequent repayment will result in the loan bearing interest at a rate of 5.0% per annum	**$ 40,000**	$ 40,000

The Organization received $60,000 under the CEBA loan. As the Organization expects to repay the $40,000 on or before December 31, 2023, $20,000 of the loan will be forgiven. Accordingly, the $20,00 forgivable portion was included in the Organization's revenue in the fiscal year ended March 31, 2021.

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 year are $14,100.

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 obligations. The Organization administers loans to overseas microcredit borrowers in the normal course of operations which entails credit risk in respect of defaults for the Honduran loan portolfio to the extent that losses do not arise from force majeure.

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. GOVERNMENT ASSISTANCE

During the year the Organization has taken advantage of two Federal COVID-19 assistance programs: the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS).

The CEWS provided qualifying employers with a subsidy of up to 75% of employee salaries to a maximum of $847 per week from March 15, 2020 to May 7, 2022. During the year the Organization received $5,662 (2021 - $33,636) under this program.

The TWS program provided qualifying employers with a subsidy of 10% of employee wages to a maximum of $1,375 per employee for wages paid between March 18, 2020 and June 19, 2020. During the year, the Organization received $Nil (2021 - $5,249) under this program.

The CERS provided qualifying employers with a subsidy of 65% of eligible expenses to a maximum of $75,000 per business location from September 27, 2020 to May 7, 2022. During the year, the Organization received a total of $4,531 (2021 - $3,857) under this program.

The aggregate amount of the above subsidies, totaling $10,193 (2021 - $42,742), has been netted against administration expenses for the year.

13. CORRECTION OF PRIOR PERIOD ERROR

During the course of the audit, it was discovered that the Organization's accounting practices previously applied to management of microcredit loan portfolios was inconsistent with the terms of the related agency agreements. Specifically, the accounting treatment related to unrealized foreign exchange losses prior to completion of the term of the Agency agreements was determined to be incorrect. Consequently, certain amounts on the statement of operations have also been impacted by this correction to the accounting treatment, as previously recognized foreign exchange amounts were reversed. Additionally, some expenses were reclassified to conform with current period presentation. These corrections have been applied retrospectively and the effect of this correction on the March 31, 2021 comparative financial statements is presented below:

	2021		
	Previously Reported	**Adjustment**	**Restated**
Statement of Financial Position			
Microcredit loan obligation	$ 195,740	$ (60,741)	$ 134,999
Statement of Changes in Net Assets			
Net assets, beginning of year	$ (12,434)	$ (66,394)	$ (78,828)
Statement of Operations			
Microcredit programs expense	$ 377,603	$ (151,860)	225,743
CAUSE Canada programs (Sierra Leone) expense	$ 346,308	$ 24,725	$ 371,033
Excess (deficiency) of revenue over expenses	$ (35,146)	$ 127,135	$ 91,989