Société éducative de visites et d'échanges au Canada
Society for Educational Visits and Exchanges in Canada

# Financial Statements

## For the year ended August 31, 2008

Collins Barrow
Chartered Accountants

Praxity ASSOCIATE
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

# SEVEC

**(Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada)**

# Financial Statements

**For the year ended August 31, 2008**

## Contents

Collins Barrow
Chartered Accountants

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# Auditors' Report

**To the Members of**
**SEVEC**
**(Society for Educational Visits and Exchanges in Canada /**
**Société éducative de visites et d'échanges au Canada)**

We have audited the balance sheet of SEVEC (Society for Educational Visits and Exchanges in Canada /Société éducative de visites et d'échanges au Canada) as at August 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion these principles have been applied on a basis consistent with that of the preceding year.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants

October 24, 2008

# SEVEC
## (Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada)
## Balance Sheet

| August 31 | | 2008 | | 2007 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash and temporary investments (Note 1) | $ | **976,206** | $ | 844,751 |
| Accounts receivable | | **300,072** | | 241,652 |
| Prepaid expenses | | **76,433** | | 30,349 |
| | | **1,352,711** | | 1,116,752 |
| **Capital assets** (Note 2) | | **72,085** | | 44,793 |
| | $ | **1,424,796** | $ | 1,161,545 |

| | | | | |
|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | $ | **187,673** | $ | 101,800 |
| Deferred revenue (Note 3) | | **292,269** | | 115,872 |
| | | **479,942** | | 217,672 |
| **Contractual obligations** (Note 4) | | **-** | | 3,009 |
| | | **479,942** | | 220,681 |
| **Net assets** | | | | |
| Invested in capital assets | | **72,085** | | 44,793 |
| Internally restricted | | | | |
| Insurance reserve (Note 5) | | **332,047** | | 332,047 |
| Bursary reserve (Note 5) | | **58,304** | | 58,476 |
| Employee contractual obligations reserve (Note 5) | | **-** | | 3,009 |
| Unrestricted net assets | | **482,418** | | 502,539 |
| | | **944,854** | | 940,864 |
| | $ | **1,424,796** | $ | 1,161,545 |

On behalf of the Board:

________________________________ President of the Board

________________________________ Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**SEVEC**
**(Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada)**

# Statement of Changes in Net Assets

| For the year ended August 31 | 2008 | | | | | | 2007 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Internally Restricted | | | | | | Internally Restricted | | | | |
| | **Invested in Capital Assets** | **Insurance Reserve** | **Bursary Reserve** | **Employee Contractual Obligations Reserve** | **Unrestricted** | **Total** | Invested in Capital Assets | Insurance Reserve | Bursary Reserve | Employee Contractual Obligations Reserve | Unrestricted | Total |
| **Balance**, beginning of year | | | | | | | | | | | | |
| As previously reported | **$ 44,793** | **$ 332,047** | **$ 58,476** | **$ 3,009** | **$ 502,539** | **$ 940,864** | $ 81,772 | $ 332,047 | $ 73,357 | $ 19,502 | $ 603,014 | $ 1,109,692 |
| Prior period correction | **-** | **-** | **-** | **-** | **-** | **-** | (12,477) | - | - | - | - | (12,477) |
| As restated | **44,793** | **332,047** | **58,476** | **3,009** | **502,539** | **940,864** | 69,295 | 332,047 | 73,357 | 19,502 | 603,014 | 1,097,215 |
| **Excess (deficiency) of revenue over expenses for the year** | **(44,166)** | **-** | **(172)** | **-** | **48,328** | **3,990** | (46,790) | - | (14,881) | - | (94,680) | (156,351) |
| **Acquisition of capital assets** | **71,458** | **-** | **-** | **-** | **(71,458)** | **-** | 22,288 | - | - | - | (22,288) | - |
| **Net decrease in employee contractual obligations** (Note 4) | **-** | **-** | **-** | **(3,009)** | **3,009** | **-** | - | - | - | (16,493) | 16,493 | - |
| **Balance**, end of year | **$ 72,085** | **$ 332,047** | **$ 58,304** | **$ -** | **$ 482,418** | **$ 944,854** | $ 44,793 | $ 332,047 | $ 58,476 | $ 3,009 | $ 502,539 | $ 940,864 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# SEVEC
## (Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada)
## Statement of Operations

| For the year ended August 31 | 2008 | 2007 |
|---|---|---|
| **Revenue** | | |
| Youth Exchanges program | | |
| Canadian Heritage contribution | **$ 4,868,160** | $ 5,094,338 |
| Other income | **246,662** | 397,850 |
| Ontario Trillium Foundation | **80,375** | 98,281 |
| Rendez-vous Canada program | **823,241** | 743,391 |
| Forums, roundtables and other projects | | |
| Living in a Bilingual Canada – Provincial/Territorial Rollout (Note 9) | **238,000** | - |
| Linguistic and Cultural Discovery through a Summer Volunteer Program (Note 10) | **172,000** | - |
| Other | **143,568** | 93,368 |
| Donations and other income | **113,300** | 105,486 |
| | **6,685,306** | 6,532,714 |
| **Expenses** | | |
| Youth Exchanges program | **5,118,957** | 5,534,016 |
| Ontario Trillium Foundation | **80,586** | 98,832 |
| Rendez-vous Canada program | **812,407** | 816,290 |
| Rendez-vous Canada bursaries | **2,000** | 17,489 |
| Forums, roundtables and other projects | | |
| Living in a Bilingual Canada – Provincial/Territorial Rollout (Note 9) | **238,162** | - |
| Linguistic and Cultural Discovery through a Summer Volunteer Program (Note 10) | **173,117** | - |
| Other | **133,082** | 79,398 |
| Corporate support | **123,005** | 104,984 |
| Reorganization | **-** | 38,056 |
| | **6,681,316** | 6,689,065 |
| **Excess (deficiency) of revenue over expenses for the year** | **$ 3,990** | $ (156,351) |
| **Allocated as follows** | | |
| Invested in capital assets | **$ (44,166)** | $ (46,790) |
| Bursary reserve | **(172)** | (14,881) |
| Unrestricted | **48,328** | (94,680) |
| | **$ 3,990** | $ (156,351) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# SEVEC
## (Society for Educational Visits and Exchanges in Canada / Société éducative de visites et d'échanges au Canada)
## Statement of Cash Flows

| For the year ended August 31 | 2008 | 2007 |
|---|---|---|
| **Cash flows from (used in) operating activities** | | |
| Excess (deficiency) of revenue over expenses for the year | $ 3,990 | $ (156,351) |
| Adjustments for | | |
| Amortization of capital assets | 44,166 | 46,790 |
| | 48,156 | (109,561) |
| Changes in non-cash working capital items | | |
| Accounts receivable | (58,420) | 98,379 |
| Grants receivable | - | 546,250 |
| Prepaid expenses | (46,084) | (55) |
| Accounts payable and accrued liabilities | 85,873 | (26,482) |
| Deferred revenue | 176,397 | (16,666) |
| | 205,922 | 491,865 |
| Payout of contractual obligations | (3,009) | (16,493) |
| | 202,913 | 475,372 |
| **Cash flows used in investing activities** | | |
| Acquisition of capital assets | (71,458) | (22,288) |
| **Increase in cash during the year** | 131,455 | 453,084 |
| **Cash and temporary investments**, beginning of year | 844,751 | 391,667 |
| **Cash and temporary investments**, end of year | $ 976,206 | $ 844,751 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# Summary of Significant Accounting Policies

**August 31, 2008**

**Nature of Organization**

The organization is a registered charity incorporated without share capital as a not-for-profit organization under the Canada Corporations Act and as such is exempt from income taxes. The organization's mission is to create, promote and facilitate enriching educational opportunities for youth within Canada for the development of mutual respect and understanding through programs of exploration in language and culture.

A significant portion of the organization's programs are financed by contributions from the federal government. In the event that support from the government is no longer extended, the organization would have to obtain alternate funding or possibly decrease its services.

The current contribution agreement with the federal government ends on March 31, 2009. The organization is currently negotiating a new 5 year contribution agreement expected to begin April 1, 2009.

**Changes in Accounting Policies and Standards**

Effective September 1, 2007, the organization adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement. The new accounting standards for financial instruments require that all financial assets and financial liabilities be classified according to their characteristics, management’s intentions, or the choice of category in certain circumstances. When initially recognized, all financial assets and financial liabilities are recorded at fair value. In subsequent periods, financial assets and financial liabilities will be measured at fair value, except for those financial instruments with long-term maturities and for which the organization has the intent and ability to hold the financial instruments to maturity which will be measured at amortized cost using the effective interest rate method. Gains and losses arising from a change in fair value of a financial asset or a financial liability that is carried at fair value are recognized in operations as they occur. Previously the organization's financial assets were recorded at cost plus accrued interest, and gains and losses were only recognized when realized. Since fair value of the organization's financial instruments approximate carrying value due to their short-term maturities this change in accounting policy did not have an impact on the organization's financial statements, so the required retrospective application of this change in accounting policy was not necessary.

Effective September 1, 2007, the organization also adopted the CICA Handbook Section 3861, Financial Instruments - Disclosures and Presentation, which establishes standards for presentation and disclosure of financial instruments.

## Summary of Significant Accounting Policies



**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

**Financial Instruments**

The organization's financial instruments consist of cash and temporary investments, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments, unless otherwise noted. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**Financial Risk Management**

The organization manages its investment portfolio such that excess cash on hand is conservatively invested, to generate the highest possible return, in order to support the organization's current operations through a flow of interest income. To achieve these objectives, the organization invests excess funds in liquid investments with very low levels of risk. The term of the investment is selected based on the date that the excess funds will be required to be disbursed and the interest rates available for shorter periods versus longer periods.

The organization does not invest in equity securities, is not involved in any hedge relationships and does not hold or use derivative financial instruments for trading purposes.

**Temporary Investments**

Temporary investments are classified as held-for-trading and are recorded at fair market value.

**Capital Assets**

Capital assets are recorded at cost. Amortization is based on the estimated useful life of the asset and is provided as follows:

| | |
|---|---|
| Furniture and fixtures | seven years straight-line basis |
| Computer equipment | three years straight-line basis |
| Computer software | three years straight-line basis |

# Summary of Significant Accounting Policies

**August 31, 2008**

| | |
|---|---|
| **Revenue Recognition** | The organization follows the deferral method of accounting for contributions. Restricted contributions are initially included in deferred revenue on the organization's balance sheet and 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. Unrestricted investment income is recognized as revenue when earned. |
| **Pension Plans** | Defined contribution accounting is applied to a multi-employer defined benefit plan for which the organization has insufficient information to apply defined benefit accounting. |
| **Contributed Materials and Services** | Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated. Donated services in the form of volunteer efforts are not recorded. |
| **Future Changes in Accounting Standards** | The CICA has reissued CICA Handbook Section 3861 as Sections 3862 and 3863, Financial Instruments - Disclosure and Financial Instruments - Presentation, respectively, which establish standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. At the present time, the organization is required to adopt this section for the organization's August 31, 2010 fiscal year.<br><br>In addition the CICA has issued Section 1535, Capital Disclosures which establishes standards for disclosure of information related to an entity's objectives, policies and processes for managing capital. This section must be adopted for the organization's August 31, 2009 fiscal year.<br><br>The effects of adopting these new sections have not yet been determined, but deal mainly with disclosures. |

1. **Cash and Temporary Investments**

The organization has cash of $49,871 (2007 - $119,746) held at a chartered bank. No interest is paid on this account.

The organization has temporary investments of $926,205 (2007 - $724,664) invested in guaranteed investment certificates. The market value of the organization's investments at August 31, 2008 approximates their carrying value. Interest was earned at rates from 2.3% to 4.0% during 2008 (2007 - 3.25% to 3.75%). Temporary investments include $390,351 (2007 - $393,532) which is restricted as to its use as set out in Note 5.

2. **Capital Assets**

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Cost | Accumulated Amortization | Net Book Value |
| Furniture and fixtures | **$ 51,063** | **$ 21,548** | **$ 29,515** | $ 41,782 | $ 35,635 | $ 6,147 |
| Computer equipment | **167,851** | **137,389** | **30,462** | 267,782 | 229,136 | 38,646 |
| Computer software | **12,108** | **-** | **12,108** | - | - | - |
| | **$ 231,022** | **$ 158,937** | **$ 72,085** | $ 309,564 | $ 264,771 | $ 44,793 |

Amortization expense for the year was $44,166 (2007 - $46,790).

In 2008, fully-amortized capital assets no longer in use with an estimated cost of $150,000 were written-off.

Furthermore, computer software purchased during the year, as well as computer equipment with a cost of $11,269, were put into use subsequent to year end. As such, no amortization was taken on this computer software or computer equipment in 2008.

3. **Deferred Revenue**

Deferred revenue is comprised of:

| | 2008 | 2007 |
|---|---|---|
| Federal government grants | | |
| Canadian Heritage - contribution agreement | | |
| Youth Exchanges Canada | **$ 212,651** | $ 18,583 |
| Living and learning in a bilingual Canada youth forums agreement | **-** | 30,000 |
| Provincial government grants | | |
| Ontario Trillium Foundation | **-** | 28,134 |
| Donations | **44,333** | 26,200 |
| Webster Foundation grant | **12,145** | - |
| Membership fees | **12,050** | 7,475 |
| Program participation fees | **11,090** | 5,480 |
| | **$ 292,269** | $ 115,872 |

4. **Contractual Obligations**

Prior to 2008, the organization was liable under employment contracts for accumulated unused sick leave and retirement allowances. The contractual obligations were based on management’s best estimate of the total costs to complete each employment contract based on normal operating conditions.

During the year, the organization paid $3,009 of sick leave obligations (2007 - $17,115 of retirement and sick leave obligations).

Upon final payout of the sick leave obligation, the organization updated its personnel policies including eliminating its retirement and sick leave benefits.

## 5. Internally Imposed Restrictions

The organization's board of directors has established an insurance reserve by internally restricting funds to meet any claim which falls outside of existing insurance policy coverage. Additionally, a bursary reserve was established to provide funds for any young person whose economic circumstances would not otherwise allow participation in a program of the organization. Funds disbursed to any young person will be applied against the bursary reserve as applicable. Finally, an employee contractual obligations reserve was established to meet any and all employee contractual obligations which have fully materialized. During the year, the employee contractual obligations reserve was fully paid out and future obligations for these costs were eliminated (see note 4). These internally restricted amounts are not available for other purposes without approval of the board of directors.

## 6. Credit Facility

The organization has a $100,000 revolving line of credit which is unused at year end, with interest at prime plus 1%, due on demand and is secured by a general security agreement providing a first charge over all assets.

## 7. Lease Commitments

The organization is committed under the terms of an operating lease contract for the rental of its office premises until May 31, 2013 as follows:

| | |
|---|---|
| 2009 | $ 87,975 |
| 2010 | 89,475 |
| 2011 | 90,975 |
| 2012 | 92,475 |
| 2013 | 70,200 |
| | $ 431,100 |

The organization has subleased office space to March 31, 2013. Rental income in 2008 totaled $16,027 (2007 - $17,263).

8. **Pension Plans**

Defined Contribution

The organization has a defined contribution pension plan that covers most full-time employees. Contributions to the plan are equal to the employees contributions and are based on 6% of the employee's earnings up to the year's maximum pensionable earnings and 7.5% of employee's earnings in excess of the year's maximum pensionable earnings. For 2008, pension expense was $26,443 (2007 - $26,751).

Multi-Employer Defined Benefit

One employee of the organization is a member of the Ontario Teachers' Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan covering almost all certified teachers employed in education in Ontario. Participation in the Plan is mandatory. The annual pension payable to a member who does not retire early is equal to 2% of the member's highest 5-year average salary multiplied by the number of years of credited service.

The Board of the Plan follows a policy of asset diversification. The purpose of such diversification is to reduce the Fund's annual total return variability, reduce market and credit exposure to any single issuer and to any single component of the capital markets, reduce exposure to unexpected inflation, enhance the long-term risk-adjusted return potential of the Fund, and reduce funding risk.

Pension expense is based on Plan management's best estimate in consultation with its actuaries, of the amount required to provide a high level of assurance that benefits will be fully represented by the fund assets at retirement, as provided by the Plan. One of the funding objectives is to maintain stable contribution rates for the members and the Province.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the Ontario Teachers' Federation and the Ontario Government. The most recent actuarial valuations of the plan was completed on January 1, 2008 and was filed with the regulator on October 1, 2008 with the pension plan assets and liabilities in balance. Contributions to the Plan made during the year by the organization on behalf of an employee amounted to $12,329 (2007 - $9,685) and are included in the statement of operations.

9. **Living in a Bilingual Canada – Provincial/Territorial Rollout**

One-time funding of $238,000 was received from the Department of Canadian Heritage for the period November 1, 2007 to March 31, 2008 with the focus of promoting linguistic duality.

| | Budget | Actual |
|---|---|---|
| **Revenue** | $ 238,000 | $ 238,000 |
| **Expenses** | | |
| Honoraria | 42,325 | 40,178 |
| Travel | 44,060 | 43,320 |
| Publicity | 82,300 | 85,332 |
| Operational costs | 27,179 | 29,452 |
| Other | 42,136 | 39,880 |
| | 238,000 | 238,162 |
| **Deficiency of revenue over expenses** | $ - | $ (162) |

10. **Linguistic and Cultural Discovery through a Summer Volunteer Program**

One-time funding of $172,000 was received from the Department of Canadian Heritage for the period November 1, 2007 to August 31, 2008 with the focus of promoting linguistic duality.

| | November - 2007 Budget | March 2008 Actual | April - 2008 Budget | August 2008 Actual | Budget Total | Actual Total |
|---|---|---|---|---|---|---|
| **Revenue** | $ 37,000 | $ 37,000 | $ 135,000 | $ 135,000 | $ 172,000 | $ 172,000 |
| **Expenses** | | | | | | |
| Salaries | - | - | 30,900 | 34,150 | 30,900 | 34,150 |
| Honoraria | 17,100 | 17,882 | 10,500 | 11,100 | 27,600 | 28,982 |
| Travel | 11,166 | 10,352 | 54,395 | 48,728 | 65,561 | 59,080 |
| Publicity | 3,000 | 3,246 | 900 | 834 | 3,900 | 4,080 |
| Operational costs | 5,734 | 5,704 | 38,305 | 41,121 | 44,039 | 46,825 |
| | 37,000 | 37,184 | 135,000 | 135,933 | 172,000 | 173,117 |
| **Deficiency of revenue over expenses** | $ - | $ (184) | $ - | $ (933) | $ - | $ (1,117) |