

**Cultural Connections Institute  
- The Learning Exchange**

**Financial Statements**

**March 31, 2017**

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# Cultural Connections Institute - The Learning Exchange

## Financial Statements

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March 31, 2017

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## Independent Auditors' Report

### To the Members of Cultural Connections Institute - The Learning Exchange

We have audited the accompanying financial statements of Cultural Connections Institute - The Learning Exchange, 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' judgment, 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 organization'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 organization'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 Cultural Connections Institute - The Learning Exchange as at March 31, 2017, 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.

Edmonton, Canada  
May 24, 2017

  
Chartered Professional Accountants

## Cultural Connections Institute - The Learning Exchange

### Statement of Operations

For the year ended March 31,	CCI	LEX	BEL	2017	2016
<b>Revenues</b>					
Program fees	\$ 351,132	\$ 63,100	\$ -	\$ 414,232	\$ 478,590
Government grants	30,354	277,760	126,842	434,956	360,423
Casino	-	49,000	-	49,000	49,177
Interest	452	-	-	452	763
Material fees	31,113	-	-	31,113	34,347
Other revenue	8,987	1,807	-	10,794	15,136
	422,038	391,667	126,842	940,547	938,436
<b>Expenses</b>					
Administration	14,045	11,719	1,971	27,735	22,783
Advertising and promotion	5,600	5,704	2,723	14,027	10,238
Amortization	23,115	-	-	23,115	15,865
Equipment	11,199	7,157	2,330	20,686	101,082
Insurance	3,208	3,785	322	7,315	6,296
IT Workshops	-	-	12,930	12,930	-
Parking	3,902	13,309	-	17,211	12,862
Professional development	6,104	2,086	1,575	9,765	16,919
Professional fees	13,791	15,332	1,640	30,763	31,812
Rent	87,910	104,983	16,179	209,072	164,320
Student events	8,688	6,696	1,161	16,545	19,501
Supplies	34,581	38,146	4,362	77,089	90,576
Telephone	4,968	4,968	429	10,365	10,430
Volunteer development	-	4,236	372	4,608	5,545
Volunteer recognition	-	8,010	-	8,010	8,031
Wages and benefits	304,393	165,662	80,876	550,931	473,710
	521,504	391,793	126,870	1,040,167	989,970
<b>Excess (deficiency) of revenues over expenses before other item</b>	(99,466)	(126)	(28)	(99,620)	(51,534)
<b>Other item</b>					
Capital asset purchases included in expenses	4,634	-	-	4,634	70,000
<b>Excess (deficiency) of revenues over expenses</b>	\$ (94,832)	\$ (126)	\$ (28)	\$ (94,986)	\$ 18,466

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## Cultural Connections Institute - The Learning Exchange

### Statement of Changes in Net Assets

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For the year ended March 31, 2017

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	Unrestricted Net Assets	Invested in Capital Assets	Contingency Reserve	Strategic Reserve	Total 2017	Total 2016
Balance, beginning of year	\$ 87,937	\$ 74,618	\$ 210,216	\$ 95,917	\$ 468,688	\$ 450,222
Excess (deficiency) of revenues over expenses	(72,248)	(23,114)	376	-	(94,986)	18,466
Invested in Capital Assets	(4,634)	4,634	-	-	-	-
Transfers from (to) reserves	75,000	-	(87,396)	12,396	-	-
<b>Balance, end of year</b>	<b>\$ 86,055</b>	<b>\$ 56,138</b>	<b>\$ 123,196</b>	<b>\$ 108,313</b>	<b>\$ 373,702</b>	<b>\$ 468,688</b>

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## Cultural Connections Institute - The Learning Exchange

### Statement of Financial Position

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March 31, 2017 2016

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#### Assets

##### Current

Cash and short-term investments (note 3)	\$ 392,250	\$ 607,670
Accounts receivable (note 4)	41,664	42,748
Prepaid expenses	354	1,710

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434,268 652,128

##### Equipment (note 5)

56,138 74,618

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\$ 490,406 \$ 726,746

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#### Liabilities

##### Current

Accounts payable and accrued liabilities	\$ 9,838	\$ 8,415
Unearned revenue (note 6)	106,866	249,643

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116,704 258,058

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#### Net Assets

Unrestricted Net Assets	86,055	87,937
Invested in Capital Assets	56,138	74,618
Contingency Reserve	123,196	210,216
Strategic Reserve	108,313	95,917

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373,702 468,688


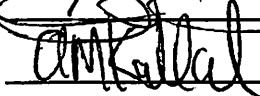
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\$ 490,406 \$ 726,746

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#### Lease commitments (note 8)

Approved on behalf of the Board:

Treasurer

Executive Director

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## Cultural Connections Institute - The Learning Exchange

### Statement of Cash Flows

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For the year ended March 31,	2017	2016
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses	\$ (94,986)	\$ 18,466
Item not affecting cash		
Amortization	23,115	15,865
	(71,871)	34,331
Change in non-cash working capital items		
Accounts receivable	1,084	(14,972)
Prepaid expenses	1,356	388
Accounts payable and accrued liabilities	1,422	(4,977)
Unearned revenue	(142,777)	167,962
	(210,786)	182,732
<b>Investing activity</b>		
Purchase of equipment	(4,634)	(70,000)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(215,420)</b>	<b>112,732</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>607,670</b>	<b>494,938</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 392,250</b>	<b>\$ 607,670</b>

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## Cultural Connections Institute - The Learning Exchange

### Notes to the Financial Statements

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March 31, 2017

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#### 1. Nature of operations

Cultural Connections Institute - The Learning Exchange is an Edmonton based non-profit organization without share capital. Its purpose is to offer English language classes to permanent and temporary residents of Canada.

The Cultural Connections Institute (CCI) program offers English language and verbal communication classes to both permanent and temporary residents of Canada. Classes are taught by paid teachers with education and experience in educating adult learners of additional/second languages.

The Learning Exchange (LEX) program offers English language classes to adults with either citizenship or confirmed residency in Canada and includes the communications skills project funded by the Province of Alberta. Classes are primarily taught by volunteer instructors funded by Ministry of Labour.

The Basic English Language (BEL) program offers English language classes to recently- arrived adult newcomers (Permanent Residents and Refugees; less than 6 months in Canada) and provides training for community leaders working with adult newcomers. Classes are primarily taught by professional ESL instructors and was funded by the Alberta Government.

The Institute is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for tax purposes.

#### 2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

##### (a) Revenue recognition

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

Unrestricted program fees are recorded over the period when the service is performed.

Interest is recorded on the accrual basis.



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## Cultural Connections Institute - The Learning Exchange

### Notes to the Financial Statements

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March 31, 2017

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#### 2. Significant accounting policies (continued)

##### (b) Net assets

- (i) General revenues, expenses and resources of the Institute available for immediate purposes are included in the unrestricted net assets
- (ii) Net assets invested in capital assets reports on the transactions related to the Institute's capital assets.
- (iii) The contingency reserve consists of internally restricted net assets set aside for use in extreme circumstances where the Institute is inhibited from offering services or achieving its mission. The reserve currently equates to three months of operating costs with a goal of one year of operating costs.
- (iv) The strategic reserve consists of internally restricted net assets to be used for strategic priorities of the Institute and the Board.

##### (c) Equipment

Equipment is recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the assets over their estimated useful lives, as set out below.

When equipment is sold or retired, the related cost and accumulated amortization are removed from the accounts and any gain or loss is charged against earnings in the period.

One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

Furniture and equipment	5 years
Computer hardware	3 years
Computer server	3 years

Amortization of leasehold improvements is recorded using the straight-line method over the term of the lease.

##### (d) Contributed services

The Institute relies on its members to volunteer time to support its programs. The value of donated services is not recognized in these financial statements due to the difficulty in determining their fair value.

##### (e) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

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## Cultural Connections Institute - The Learning Exchange

### Notes to the Financial Statements

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March 31, 2017

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#### 2. Significant accounting policies (continued)

##### (f) Financial instruments

###### Measurement of financial instruments

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction are initially measured at their fair value. In the case of a financial asset or financial liability not subsequently measured at its fair value, the initial fair value is adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Such fees and costs in respect of financial assets and liabilities subsequently measured at fair value are expensed.

The Institute subsequently measures the following financial assets and financial liabilities at amortized cost: cash, term deposits, accounts receivable and accounts payable and accrued liabilities.

###### Impairment

At the end of each reporting period, management assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired. If there is an indication of impairment, management determines whether a significant adverse change has occurred in the expected timing or the amount of future cash flows from the asset, in which case the asset's carrying amount is reduced to the highest expected value that is recoverable by either holding the asset, selling the asset or by exercising the right to any collateral. The carrying amount of the asset is reduced directly or through the use of an allowance account and the amount of the reduction is recognized as an impairment loss in operations. Previously recognized impairment losses may be reversed to the extent of any improvement. The amount of the reversal, to a maximum of the related accumulated impairment charges recorded in respect of the particular asset, is recognized in operations.

##### (g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and term deposits.

##### (h) Allocation of expenses

The Institute delivers the CCI, LEX and BEL programs. The costs of each program include the costs of personnel and other expenses that are directly related to providing the program. The Institute also incurs a number of general and administrative expenses that are common to the administration of the organization and each of its programs.

General and administrative have been allocated on the following:

- a) Rent is allocated based on space used by each program;
- b) Other expenses are allocated proportionately.

Management reviews the allocation of expenses on an annual basis.

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## Cultural Connections Institute - The Learning Exchange

### Notes to the Financial Statements

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March 31, 2017

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#### 3. Cash and short-term investments

Short term investments consist of term deposits in the amount of \$65,000, (2016: \$65,000) bearing interest at 0.45%

Cash includes \$32,863 (2016 - \$81,863) which was raised through raffles and casinos. The use of these funds is restricted and must be applied to specific purposes approved by the Alberta Gaming and Liquor Commission.

Cash also includes the internally restricted contingency and strategic reserve funds.

#### 4. Accounts receivable

The accounts receivable balance consists of funding holdbacks from the Government of Alberta.

#### 5. Equipment

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 5,611	\$ 2,145	\$ 3,466	\$ 4,456
Leasehold improvements	77,418	35,304	42,114	57,597
Computer hardware	21,367	10,809	10,558	11,212
Computer server	8,325	8,325	-	1,353
	<b>\$ 112,721</b>	<b>\$ 56,583</b>	<b>\$ 56,138</b>	<b>\$ 74,618</b>

#### 6. Unearned revenue

	2017	2016
Casino funds	\$ 32,479	\$ 81,479
Edmonton Community Foundation	31,550	9,225
Butler Family Foundation	3,000	-
Other	559	-
Parking pass deposits	945	885
Program fees prepaid by student	38,333	31,212
Province of Alberta	-	126,842
	<b>\$ 106,866</b>	<b>\$ 249,643</b>

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## Cultural Connections Institute - The Learning Exchange

### Notes to the Financial Statements

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March 31, 2017

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#### 7. Economic dependence

Cultural Connections Institute - The Learning Exchange receives a significant amount of revenue from Alberta Ministry of Labour. A loss of this funding could have a material impact on the Institute's operations. Management expects the grant to be maintained in the future.

#### 8. Lease commitment

The Institute holds a premises lease for the building. The agreement expires December 31, 2020. The Institute is committed to following minimum annual payments including GST:

2018	\$ 229,186
2019	239,237
2020	239,237
2021	179,428

#### 9. Financial instruments

Transacting in and holding of financial instruments exposes the Institute to certain financial risks and uncertainties. These risks include:

##### (a) 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 Institute's exposure to credit risk relates to accounts receivable and arises from the possibility that a debtor does not fulfil its obligations. Management believes this risk is minimized through restriction of credit to funding agencies. The Institute performs continuous evaluation of its financial assets and records impairment in accordance with the stated policy.

##### (b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. The Institute's exposure to liquidity risk relates to accounts payable and arises from the possibility that the timing and amount of its cash inflows will not be sufficient to enable it to meet its financial obligations as they become due. Management believes this risk is minimized through monitoring monthly cash flows and keeping an internally restricted contingency fund.

There have been no changes to the risk exposures from 2016.

#### 10. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.