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Financial statements of  
The Duke of Edinburgh's  
International Award – Canada

December 31, 2017

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## Independent Auditor's Report

To the Board of Directors of  
The Duke of Edinburgh's International Award – Canada

We have audited the accompanying financial statements of The Duke of Edinburgh's International Award - Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2017, the statements of revenue and expenses, 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.

### Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to donations revenue, the excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly, because of the possible effects of this scope limitation.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 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.

A handwritten signature in black ink that reads "Deloitte LLP". The word "Deloitte" is written in a cursive script, while "LLP" is written in a simpler, blocky font.

Chartered Professional Accountants  
Licensed Public Accountants  
March 8, 2018

# The Duke of Edinburgh's International Award - Canada

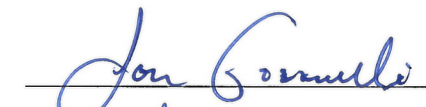
## Statement of financial position

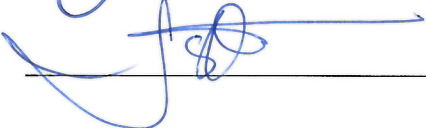
As at December 31, 2017

	Notes	2017 \$	2016 \$
<b>Assets</b>			
Current assets			
Cash		565,795	662,695
Short-term investments	4a	51,168	626,032
Accounts receivable	6f	146,509	319,583
Prepaid expenses		21,869	42,885
		<b>785,341</b>	1,651,195
Investments	4b	3,462,316	3,332,463
Capital assets	5	2,286	4,724
		<b>4,249,943</b>	4,988,382
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	11	23,355	26,175
Due to Operating Divisions	6d	466,575	956,696
Deferred revenue		—	26,795
		<b>489,930</b>	1,009,666
Long term liabilities			
Due to Operating Divisions	6d	92,500	185,000
<b>Net assets (deficit)</b>			
Unrestricted		(178,491)	(81,450)
Restricted	7		
Charter for Business Fund		179,637	355,637
Anniversary Endowment Fund		3,570,641	3,416,257
Forum 2015 Fund		42,272	47,380
National Contingency Fund		51,168	51,168
Invested in Capital Assets Fund	9	2,286	4,724
		<b>3,667,513</b>	3,793,716
		<b>4,249,943</b>	4,988,382

The accompanying notes are an integral part of the financial statements.

Approved by the Board


  
 \_\_\_\_\_, Director


  
 \_\_\_\_\_, Director

**The Duke of Edinburgh's International Award - Canada**  
**Statement of revenue and expenses**  
Year ended December 31, 2017

		2017				2016				
	Notes	Unrestricted Fund	Charter for Business Fund	Anniversary Endowment Fund	Forum 2015 Fund	Invested in		Canada Service Corps Fund	Total	Total
		\$	\$	\$	\$	Capital Assets Fund	\$	\$	\$	\$
<b>Revenue</b>										
Donations	2	132,439	810,700	24,531	—	—	—	—	967,670	990,542
Grant Revenue		47,317	—	—	—	—	—	19,062	66,379	—
Special events		26,108	—	—	—	—	—	—	26,108	—
Interest and other investment income		4,636	—	—	—	—	—	—	4,636	7,940
		<b>210,500</b>	<b>810,700</b>	<b>24,531</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>19,062</b>	<b>1,064,793</b>	<b>998,482</b>
<b>Expenses</b>										
Distributions to Divisions	5d	—	433,037	—	—	—	—	—	433,037	569,381
Special events		—	—	—	—	—	—	—	—	6,783
Program expenses (Youth expeditions)		100	—	—	—	—	—	18,909	19,009	62,583
General and administrative		567,071	—	—	5,000	—	—	136	572,207	575,960
Marketing and Communication		100,022	—	—	—	—	—	—	100,022	17,622
Fund Development		92,527	158,332	—	—	—	—	—	250,859	135,673
Amortization		—	—	—	—	2,438	—	—	2,438	5,330
Interest and bank charges		3,419	166	—	108	—	—	—	3,693	3,664
Professional fees		17,244	7,490	—	—	—	—	—	24,734	15,898
Other expense		38,139	—	—	—	—	—	17	38,156	22,713
		<b>818,522</b>	<b>599,025</b>	<b>24,531</b>	<b>5,108</b>	<b>2,438</b>	<b>—</b>	<b>19,062</b>	<b>1,444,155</b>	<b>1,415,607</b>
Excess of (expenses over revenue) before the undernoted		(608,022)	211,675	24,531	(5,108)	(2,438)	—	—	(379,362)	(417,125)
Change in unrealized gain on investments		—	—	253,159	—	—	—	—	253,159	252,786
<b>Excess of (expenses over revenue)</b>		<b>(608,022)</b>	<b>211,675</b>	<b>277,690</b>	<b>(5,108)</b>	<b>(2,438)</b>	<b>—</b>	<b>—</b>	<b>(126,203)</b>	<b>(164,339)</b>

The accompanying notes are an integral part of the financial statements.

**The Duke of Edinburgh's International Award - Canada**

**Statement of changes in net assets**

Year ended December 31, 2017

	2017						2016	
	Unrestricted Fund	Charter for Business Fund	Anniversary Endowment Fund	Forum 2015 Fund	National Contingency Fund	Invested in Capital Assets Fund	Total	Total
Note	\$	\$	\$	\$	\$	\$	\$	\$
<b>Net assets (deficit), beginning of year</b>	(81,450)	355,637	3,416,257	47,380	51,168	4,724	3,793,716	3,958,055
Excess of (expenses over revenue)	(608,022)	211,675	277,690	(5,108)	—	(2,438)	(126,203)	(143,332)
Inter-fund transfers	123,306	—	(123,306)	—	—	—	—	—
Anniversary Endowment to Unrestricted	387,675	(387,675)	—	—	—	—	—	—
Charter for Business to Unrestricted	(178,491)	179,637	3,570,641	42,272	51,168	2,286	3,667,513	3,814,723
<b>Net assets (deficit), end of year</b>								

The accompanying notes are an integral part of the financial statements.

## The Duke of Edinburgh's International Award - Canada

### Statement of cash flows

Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
<b>Operating activities</b>		
Excess of (expenses over revenue)		
Operating Fund	<b>(608,022)</b>	(437,854)
National Benefactor Fund	—	(122,941)
Charter for Business Fund	<b>211,675</b>	149,365
Anniversary Endowment Fund	<b>277,690</b>	252,786
Forum 2015 Fund	<b>(5,108)</b>	(365)
Invested in Capital Assets Fund	<b>(2,438)</b>	(5,330)
	<b>(126,203)</b>	(164,339)
Items not affecting cash		
Amortization	<b>2,438</b>	5,330
Change in unrealized gain on investments	<b>(253,159)</b>	(252,786)
	<b>(376,924)</b>	(411,795)
Net change in non-cash working capital balances		
Accounts receivable	<b>173,074</b>	(161,647)
Prepaid expenses	<b>21,016</b>	(29,812)
Accounts payable and accrued liabilities	<b>(2,820)</b>	(107,509)
Deferred Revenue	<b>(26,795)</b>	26,795
Due to Operating Divisions	<b>(582,621)</b>	414,866
	<b>(795,070)</b>	(269,102)
<b>Investing activities</b>		
Change in investments	<b>698,170</b>	378,448
	<b>698,170</b>	378,448
Net cash inflow (outflow)	<b>(96,900)</b>	109,346
Cash, beginning of year	<b>662,695</b>	553,349
<b>Cash, end of year</b>	<b>565,795</b>	662,695

The accompanying notes are an integral part of the financial statements.



# The Duke of Edinburgh's International Award – Canada

## Notes to the financial statements

December 31, 2017

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### 1. Operations

The Duke of Edinburgh's International Award (the "Award") is an international award program for young people. The National Board of Directors is the governing body of the Canadian award authority. The Duke of Edinburgh's International Award - Canada (the "Organization") also conducts fundraising activities and distributes funds to Operating Divisions located in the Provinces and Territories. The Operating Divisions are separately incorporated.

The Organization is classified as a registered charity under the Income Tax Act and, accordingly, is not subject to income taxes.

### 2. Significant accounting policies

#### *Financial statement presentation*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the restricted fund method of reporting restricted contributions.

These financial statements include the assets, liabilities, operations and cash flows of the Award's National Office ("National Office"). They do not include the assets, liabilities, operations and cash flows of the Award's Operating Divisions, as they are separate legal entities with separate Boards of Directors.

#### *Revenue recognition*

Revenue from donations is recorded when received. Interest is recognized on the accrual basis. Restricted donations for which no corresponding restricted fund is presented are deferred and recognized in income when the related expense is incurred.

Pledges are recognized as receivable if the amounts can be reasonably estimated and collection is reasonably assured.

#### *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments. The Organization has elected to use the fair value option to measure investments, with any subsequent changes in fair value recorded in the Statement of revenue and expenses.

#### *Investments*

Investments are carried at fair value at the year end. Equities are valued at the closing bid price. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

All transactions costs are expensed as incurred.

#### *In kind donations*

The Organization recognizes contributions of materials when a fair value can be reasonably estimated and when the materials are used in the normal course of operations and would otherwise have been purchased. The organization also accepts donation of items for sale or auction with a valid appraisal in keeping with CRA regulations.

## The Duke of Edinburgh's International Award – Canada

### Notes to the financial statements

December 31, 2017

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## 2. Significant accounting policies (continued)

### *Capital assets*

Capital assets are recorded at cost and are amortized on the declining balance basis as follows:

Computer hardware	55% per year
Computer software	55% per year
Equipment	20% per year

### *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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Balances requiring significant estimates and assumptions include the collectability of accounts receivable, valuation of investments, accrued liabilities and amortization expense.

## 3. In-kind donations

There were \$84,475 in-kind donations in 2017 (2016 - \$nil) that are recorded as revenue in the Statement of revenue and expenses. The amount represents the proceeds from the sale of donated shares \$28,200 and donated items \$56,275 for sale at auction. A corresponding expense \$56,275 was recorded in the Statement of revenue and expense.

## 4. Investments

(a) Short-term investments relate to the following fund balance:

	<u>2017</u>	<u>2016</u>
	\$	\$
Unrestricted Fund	-	11,927
Charter for Business Fund	-	562,937
National Contingency Fund	<b>51,168</b>	51,168
	<b><u>51,168</u></b>	<b><u>626,032</u></b>

The short-term investments consist of funds in a high interest savings account earning 0.8% and guaranteed investment certificates with interest rates of 0.6%. The carrying value of the short-term investments approximates their fair value due to their relatively short-term to maturity.

(b) Long-term investments relate to the following funds:

	<u>2017</u>	<u>2016</u>
	\$	\$
Anniversary Endowment Fund	<b><u>3,462,316</u></b>	<b><u>3,332,463</u></b>

The long-term investments are held in mutual funds.

## The Duke of Edinburgh's International Award – Canada

### Notes to the financial statements

December 31, 2017

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#### 5. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer hardware	18,724	17,975	749	1,665
Computer software	14,125	12,954	1,171	2,602
Equipment	1,273	907	366	457
	<b>34,122</b>	<b>31,836</b>	<b>2,286</b>	<b>4,724</b>

#### 6. Related party transactions

- (a) The Organization entered into an agency agreement with The Duke of Edinburgh's Award International Foundation ("International Foundation") which, when stipulated by the donor, entitles the Organization to 50% of the donations contributed to the World Fellowship Fund. The International Foundation now collects all donations and when stipulated sends 50% to the Organization. The International Foundation no longer requires funds to be applied to the Anniversary Endowment Fund. In June 2017 the Organization redirected World Fellowship Fund donations received to the Unrestricted Fund.
- (b) During the year, the Organization received \$49,061 (\$nil in 2016) from the World Fellowship Fund.
- (c) Amounts Due to Operating Divisions are unsecured, non-interest bearing and have no fixed terms of repayment. The long term Due to Divisions was established in 2014 when two donors each pledged \$25,000 per year to the Charter for Business as designated funds over 6 years. They both subsequently chose to pay their pledge in one lump sum. These funds will be allocated to the divisions annually from 2018-2019.
- (d) During the year, the Organization distributed funds from fundraising activities to the Operating Divisions totaling \$433,037 (\$569,381 in 2016).
- (e) At December 31, the Organization had \$56,592 (\$88,102 in 2016) accounts receivable owing from Operating Divisions.

## The Duke of Edinburgh's International Award – Canada

### Notes to the financial statements

December 31, 2017

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#### 7. Restricted funds

##### *Charter for Business Fund*

The Charter for Business Fund is a special national fundraising initiative undertaken to provide funds to ensure that every young Canadian has the opportunity to participate in the Duke of Edinburgh's Award program. Funds transferred to the Unrestricted Fund during the year of \$211,675 (\$184,000 in 2016) represent designated donations, and designated revenue to cover a portion of operating expenses. In addition \$176,000 of 2013 - 50th Anniversary Gala proceeds was transferred to the Unrestricted Fund to offset revenue shortfall for a total of \$387,675.

##### *Anniversary Endowment Fund*

In 2016, the 40th Anniversary Endowment Fund and the 20th Anniversary Endowment Fund were combined into The Anniversary Endowment Fund. The 20th Anniversary Endowment Fund was established by the Organization in 1983 to generate investment income to support the operations of the National Office. The 40th Anniversary Endowment Fund was established in 2005 with the objective of reducing the Award's dependence on annual fundraising activities. Initial funding of the 40th Anniversary Endowment Fund consisted of a transfer from the Special Events Fund that was established from the proceeds from the 40th Anniversary Gala.

The capital of the Anniversary Endowment Fund has increased annually through a transfer from the Charter for Business Fund. In 2017, the Organization redirected these funds to the Unrestricted Fund. The amount transferred during 2017 from the Charter for Business Fund was \$nil (\$221,375 in 2016), of which \$150,000 in 2016 was from the 2013 - 50th Anniversary Gala.

Each year, 2% of the average value of the Anniversary Endowment Fund is transferred to the Charter for Business Fund. In 2017, the Organization redirected these funds to the Unrestricted Fund. The amount transferred to the Charter for Business Fund during 2017 was \$nil (\$56,010 in 2016).

Additionally, each year, 2% of the average value of the Anniversary Endowment Fund has been transferred to the Unrestricted Fund. In 2017, the Organization redirected the transfer of 4% to the Unrestricted Fund. The amount transferred during 2017 to the Unrestricted Fund was \$123,306 (\$59,471 in 2016).

##### *Forum 2015 Fund*

In 2015 Canada hosted the International Forum which was a significant financial commitment. In order to track revenue raised for this event and the associated expenses, a Forum 2015 Fund was established in 2011.

##### *National Contingency Fund*

The National Contingency Fund was established in 2000 to provide a reserve intended to allow the National Office to cope with any unforeseen demands that it may face.

##### *Canada Service Corps Fund*

In December 2017, the Organization entered into a contractual agreement with the Canadian Federal Government – Employment and Social Development Canada (ESDC). This funded initiative is referred to as Canada Service Corps by ESDC and is designed to encourage civic engagement in our country's youth. Through three youth led forums held over a period of two years our program will foster engagement and leadership growth in Canadian youth from across the country. Participants will be inspired by key-note speakers, take part in workshops, team building exercises and outdoor activities that will develop their passion for change into concrete action plans that can be executed within their own communities.

## The Duke of Edinburgh's International Award – Canada

### Notes to the financial statements

December 31, 2017

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#### 7. Restricted funds (continued)

##### *Canada Service Corps Fund (continued)*

The current contractual agreement and funding will end March 31, 2020. However, ESDC has the option to cancel this program should their program funding not be renewed by the Federal Government.

#### 8. Risk management

##### *Interest rate risk*

The Organization is exposed to interest rate risk with respect to its investment in a Fixed Income Mutual Fund. Changes in the prime interest rate will have a positive or negative impact on the Organization's long-term investments. Such exposure will increase accordingly should the Organization maintain higher levels of investments in the future.

##### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization's investment policy defines permitted investments and provides guidelines and restrictions on acceptable investments which minimizes credit risk.

##### *Market risk*

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices (other than those arising from interest rate or foreign exchange risk) whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. To mitigate this risk, the Organization invests in a diversified portfolio of investments within the Organization's investment policy.

##### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Organization invests in non-Canadian equities through the mutual funds and is therefore directly exposed to currency risk as the value of the equities denominated in other currencies will fluctuate due to changes in exchange rates.

#### 9. Invested in Capital Assets Fund

The Invested in Capital Assets Fund reflects the net book value of the Organization's capital assets.

#### 10. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee.

## **The Duke of Edinburgh's International Award – Canada**

### **Notes to the financial statements**

December 31, 2017

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#### **10. Guarantees (continued)**

The only such guarantee relates to the indemnity that has been provided to all directors and/or officers of the Organization for various items including, but not limited to, all costs to settle suits or actions due to their involvement with the Organization, subject to certain restrictions.

The Organization has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of this indemnification agreement prevents the Organization from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Organization has not made any payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

#### **11. Accounts payable and accrued liabilities**

There are no outstanding government remittances as at December 31, 2017 and December 31, 2016.

#### **12. Credit facility**

The Organization has access to an operating line of credit with a major chartered bank with interest payable at 6%, of which \$nil has been withdrawn as at December 31, 2017 and December 31, 2016.

#### **13. Comparative Figures**

Certain comparative figures have been reclassified to conform to 2017 presentation.