

Financial Statements of

**OXFAM CANADA**

Year ended March 31, 2016



KPMG LLP  
150 Elgin Street, Suite 1800  
Ottawa ON K2P 2P8  
Canada  
Telephone 613-212-5764  
Fax 613-212-2896

## **INDEPENDENT AUDITORS' REPORT**

To the Directors of Oxfam Canada

We have audited the accompanying financial statements of Oxfam Canada, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 our 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, we consider 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 audit opinion.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oxfam Canada as at March 31, 2016, and its results of operations, changes in net assets and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

August 23, 2016

Ottawa, Canada

# OXFAM CANADA

Statement of Financial Position

**DRAFT**

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 5,834,538	\$ 2,711,517
Accounts receivable	1,214,547	183,577
Advances to partners	2,239,001	1,977,451
Prepaid expenses	84,355	115,655
	<u>9,372,441</u>	<u>4,988,200</u>
Tangible capital and intangible assets (note 2)	3,819,046	4,061,087
	<u>\$ 13,191,487</u>	<u>\$ 9,049,287</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 1,814,362	\$ 1,152,158
Deferred revenue (note 4)	7,246,432	4,509,191
Current portion of long-term debt (note 5)	114,533	110,664
	<u>9,175,327</u>	<u>5,772,013</u>
Long-term debt (note 5)	836,163	950,726
Net assets:		
Invested in tangible capital and intangible assets	2,868,350	2,999,697
Endowments	1,289	1,289
Unrestricted	310,358	(674,438)
	<u>3,179,997</u>	<u>2,326,548</u>
Commitments (note 7)		
Contingencies (note 8)		
	<u>\$ 13,191,487</u>	<u>\$ 9,049,287</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

# OXFAM CANADA

## Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
<b>Revenue:</b>		
Donations	\$ 8,619,874	\$ 6,230,127
Bequests	1,088,047	762,989
Grants and contributions:		
Government of Canada	8,608,489	4,057,491
Non-government organizations	1,059,895	952,257
Other Oxfam	2,240,324	2,269,662
Other governments	478,660	482,051
Interest	27,151	23,626
Miscellaneous income	118,751	105,854
Proceeds on disposal of tangible capital assets	-	64,468
Foreign exchange gain	40,806	3,795
	<u>22,281,997</u>	<u>14,952,320</u>
<b>Expenses:</b>		
Operating:		
Overseas projects	15,373,508	9,273,644
Overseas project management	597,585	424,168
Education and public affairs	1,259,309	961,701
Program support:		
Administration	2,104,256	1,886,743
Fundraising	2,093,890	2,136,851
	<u>21,428,548</u>	<u>14,683,107</u>
<b>Excess of revenue over expenses</b>	<u>\$ 853,449</u>	<u>\$ 269,213</u>

See accompanying notes to financial statements.

# OXFAM CANADA

## Statement of Changes in Net Assets

Year ended March 31, 2016, with comparative information for 2015

	Invested in tangible capital and intangible assets	Endowments	Unrestricted	2016	2015
Net assets (deficiency), beginning of year	\$ 2,999,697	\$ 1,289	\$ (674,438)	\$ 2,326,548	\$ 2,074,135
Excess of revenue over expenses	-	-	853,449	853,449	269,213
Amortization of tangible capital and intangible assets	(242,041)	-	242,041	-	-
Principal repayments of long-term debt	110,694	-	(110,694)	-	-
Remeasurements and other items related to employee future benefits	-	-	-	-	(16,800)
<b>Net assets, end of year</b>	<b>\$ 2,868,350</b>	<b>\$ 1,289</b>	<b>\$ 310,358</b>	<b>\$ 3,179,997</b>	<b>\$ 2,326,548</b>

See accompanying notes to financial statements.

# OXFAM CANADA

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 853,449	\$ 269,213
Items not involving cash:		
Amortization of tangible capital and intangible assets	242,041	280,647
Gain on disposal of tangible capital assets	-	(64,468)
Disposals of tangible capital and intangible assets	-	18,287
Change in non-cash operating working capital:		
Increase in accounts receivable	(1,030,970)	(102,511)
Increase in advances to partners	(261,550)	(109,363)
Decrease in prepaid expenses	31,300	4,206
Increase (decrease) in accounts payable and accrued liabilities	662,204	(199,814)
Increase in deferred revenue	2,737,241	742,952
Decrease in remeasurement and other items related to employee future benefits	-	(16,800)
	3,233,715	822,349
Investing activities:		
Proceeds from disposal of tangible capital assets	-	64,468
Financing activities:		
Principal repayments of long-term debt	(110,694)	(107,645)
Increase in cash	3,123,021	779,172
Cash, beginning of year	2,711,517	1,932,345
Cash, end of year	\$ 5,834,538	\$ 2,711,517

Interest paid during the year was \$31,993 (2015 - \$53,355).

See accompanying notes to financial statements.

# OXFAM CANADA

## Notes to Financial Statements

Year ended March 31, 2016

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Oxfam Canada ("Oxfam") is an international development agency working through Oxfam International and partner organizations in Africa, South Asia and the Americas to tackle the root causes of poverty, injustice and inequality. Oxfam is incorporated without share capital. Oxfam was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in April 2013. As a registered charity, Oxfam is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act (Canada).

### 1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

These financial statements include the assets and liabilities of Oxfam's Canadian operations and the six overseas Country Offices for which it has responsibility and the revenue and expenses for which Oxfam and its six overseas Country Offices enter into contracts with donors for the funding of projects in various countries.

(b) Revenue recognition:

Oxfam follows the deferral method of accounting for contributions for not-for-profit organizations.

Restricted contributions are recorded as deferred revenue and subsequently transferred to revenue when such funds are utilized in accordance with the donor restrictions.

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. Contributions and interest relating to restricted endowments are recognized as direct increases in net assets.

(c) Advances to partners:

Oxfam's approach to development involves working with a large number of local partners. Oxfam, via agreements with funders, provides funding, support and monitoring to its partners. Funds disbursed to partners as advances are recorded on the statement of financial position as advances to partners until the partner submits a financial report to Oxfam, as required by the agreements. The disbursed funds are recorded as expenses and corresponding revenue is recognized in the period that the financial report is received.



# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (d) Tangible capital and intangible assets:

Tangible capital and intangible assets acquired for direct use in projects are expensed in the year of acquisition. Those that are not project specific are capitalized and amortized over their estimated useful lives.

Tangible capital and intangible assets are stated at cost. Amortization is computed using the following methods and rates:

Asset	Basis	Rate
Tangible capital assets:		
Building	Declining balance	5%
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Intangible assets:		
Management information system	Declining balance	20%
Computer software	Declining balance	30%

In the year of acquisition, purchases are amortized at one-half of the normal annual rate.

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Oxfam has not elected to subsequently carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (e) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Oxfam determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Oxfam expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (f) Government of Canada and other contributions:

Oxfam enters into contracts with the Government of Canada (mainly the Department of Foreign Affairs, Trade and Development - "DFATD", formerly known as the Canadian International Development Agency - "CIDA") and other donors for the funding of projects in various countries. In accordance with the revenue recognition policy, these funds are recorded as revenue in the statement of revenue and expenses as related expenses are incurred. Any indirect cost recovery, management fee or procurement fee that is applicable to Oxfam is recorded as revenue in the statement of revenue and expenses in accordance with the terms in the individual contracts.

Contributions received in excess of donors' share of funds expended in the current year for project activities represent unspent externally restricted contributions for expenditures in future years, and are shown in the statement of financial position as deferred revenue. Any contributions expended in excess of the contributions received from the donors are recorded as accounts receivable.

### (g) Expense allocation:

Oxfam classifies expenses in the statement of revenue and expenses by function. Expenses are recognized in the year they are incurred and are recorded to operating or program support to which they are directly related. Oxfam does not allocate expenses between operating and program support after initial recognition.

# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (h) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the date of transaction. Foreign currency monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. Foreign currency non-monetary assets are translated into Canadian dollars at exchange rates in effect at the time of acquisition. Any resulting foreign exchange gains or losses are included in the statement of operations.

### (i) Contributed services:

Volunteers contribute significant time per year to assist Oxfam in carrying out its service delivery activities. These contributed services are not recognized in the financial statements because of the difficulty associated with measurement.

### (j) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 2. Tangible capital and intangible assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Tangible assets:				
Land	\$ 450,000	\$ -	\$ 450,000	\$ 450,000
Building	3,853,501	937,853	2,915,648	3,037,128
Furniture and equipment	342,392	313,689	28,703	35,878
Vehicles	107,513	107,513	-	-
Computer equipment	1,264,515	1,232,173	32,342	46,203
Intangible assets:				
Management information system	1,169,481	785,174	384,307	480,384
Computer software	71,619	63,573	8,046	11,494
	\$ 7,259,021	\$ 3,439,975	\$ 3,819,046	\$ 4,061,087

Cost and accumulated amortization at March 31, 2015 amounted to \$7,259,021 and \$3,197,934, respectively.

## 3. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2016	2015
Trade accounts payable	\$ 775,397	\$ 432,548
Severance accrual due to restructuring	81,404	115,321
Payroll-related costs	284,774	263,185
Other accruals	672,787	341,104
	\$ 1,814,362	\$ 1,152,158

# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 4. Deferred revenue:

Deferred revenue represents unspent resources that have been externally restricted. Changes in deferred revenue are as follows:

	2016	2015
Balance, beginning of year	\$ 4,509,191	\$ 3,766,239
Add amounts received in the year or included as receivable at year end	17,338,446	9,372,053
Less amounts recognized as revenue in the year	(14,601,205)	(8,629,101)
Balance, end of year	\$ 7,246,432	\$ 4,509,191

## 5. Long-term debt:

To finance its building, Oxfam has entered into a term loan at a fixed interest rate of 2.7% to October 15, 2016. The interest rate on the term loan is negotiated on an annual basis. The loan is secured by the land and building and a general security agreement.

The expected principal repayments of long-term debt for each of the five years and thereafter, subsequent to March 31, 2016, are as follows:

	2016
2017	\$ 114,533
2018	117,693
2019	120,902
2020	124,198
2021	127,583
Thereafter	345,787
	\$ 950,696

# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 6. Financial risks and concentration of credit risk:

### (a) Foreign currency risk:

Oxfam operates internationally, giving rise to exposure to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

Cash at March 31, 2016 includes amounts held in foreign currencies as follows:

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United States Dollar	\$	26,474
Ethiopia Birr		81

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### (b) Liquidity risk:

Liquidity risk is the risk that Oxfam will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Oxfam manages its liquidity risk by monitoring its operating requirements. Oxfam prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Oxfam is exposed to this risk mainly in respect of its long-term debt.

### (c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Oxfam is exposed to credit risk with respect to the accounts receivable and advances to partners. Oxfam assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. Oxfam believes that its exposure to credit risk is not significant. At year-end, the allowance for doubtful accounts was \$Nil (2015 - \$Nil).

### (d) Interest rate risk:

Oxfam is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the long-term debt are included in note 5. Oxfam believes that its exposure to interest rate risk is not significant.

There has been no change to the risk exposures from 2015.

# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 7. Commitments:

Oxfam rents premises under operating leases of varying terms to June 2019. The minimum annual rental payments are as follows:

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2017	\$	12,272
2018		11,040
2019		8,921
2020		6,802
	\$	39,035

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In addition to the minimum annual rental payments above, Oxfam is also responsible for operating and other related costs for its premises.

## 8. Contingencies:

As stated in note 1(f), the DFATD and certain other contributions are subject to conditions regarding the expenditures of the funds. Oxfam's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by the DFATD and other funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

## 9. Net assets:

Oxfam considers its capital to consist of its net assets invested in tangible capital and intangible assets, internally restricted net assets and unrestricted net assets.

Oxfam's objective with respect to capital is to fund its tangible capital and intangible assets and to have funds available for future projects and ongoing operations. Oxfam manages its capital by transferring unrestricted net assets to internally restricted net assets for specific projects and a contingency reserve for project funding continuity as described below.

Oxfam is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2015.

# OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 9. Net assets (continued):

### *Internally-restricted net assets:*

The Board of Directors has established a contingency reserve policy to ensure continuity of partner funding and to address unforeseen circumstances. Per the reserve policy, the excess of unrestricted net assets over amounts internally restricted for specific projects will be allocated to this reserve on an annual basis until a threshold of \$3 million is reached. Disbursements from this reserve require the approval of the Board of Directors. As of March 31, 2016, no amounts have been transferred to this reserve.

## 10. Comparative information:

Certain 2015 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.