

Financial Statements of

OXFAM CANADA

Year ended March 31, 2017

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, 2017, 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, 2017, 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.

Chartered Professional Accountants, Licensed Public Accountants

(date)

Ottawa, Canada

OXFAM CANADA

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 8,251,323	\$ 5,834,538
Accounts receivable	522,575	1,214,547
Advances to partners	2,432,533	2,237,712
Prepaid expenses	136,279	84,355
	<u>11,342,710</u>	<u>9,371,152</u>
Tangible capital and intangible assets (note 2)	3,749,979	3,819,046
	<u>\$ 15,092,689</u>	<u>\$ 13,190,198</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 3)	\$ 1,433,304	\$ 1,814,362
Deferred revenue (note 4)	8,819,552	7,246,432
Current portion of long-term debt (note 5)	117,822	114,533
	<u>10,370,678</u>	<u>9,175,327</u>
Long-term debt (note 5)	718,577	836,163
Net assets:		
Invested in tangible capital and intangible assets	2,765,083	2,868,350
Unrestricted	1,238,351	310,358
	<u>4,003,434</u>	<u>3,178,708</u>
Commitments (note 7)		
Contingencies (note 8)		
	<u>\$ 15,092,689</u>	<u>\$ 13,190,198</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

OXFAM CANADA

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Donations	\$ 6,727,887	\$ 8,619,874
Bequests	897,362	1,088,047
Grants and contributions:		
Government of Canada	7,616,559	8,608,489
Non-government organizations	3,617,294	1,059,895
Other Oxfam	2,032,332	2,240,324
Other governments	208,853	478,660
Interest	33,218	27,151
Miscellaneous income	110,069	118,751
Foreign exchange gain (loss)	(4,686)	40,806
	<u>21,238,888</u>	<u>22,281,997</u>
Expenses:		
Operating:		
Overseas projects	14,740,359	15,373,508
Overseas project management	433,430	597,585
Education and public affairs	990,493	1,259,309
Program support:		
Administration	1,759,199	2,104,256
Fundraising	2,490,681	2,093,890
	<u>20,414,162</u>	<u>21,428,548</u>
Excess of revenue over expenses	<u>\$ 824,726</u>	<u>\$ 853,449</u>

See accompanying notes to financial statements.

OXFAM CANADA

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Invested in tangible capital and intangible assets	Unrestricted	2017	2016
Net assets, beginning of year	\$ 2,868,350	\$ 310,358	\$ 3,178,708	\$ 2,325,259
Excess of revenue over expenses	—	824,726	824,726	853,449
Amortization of tangible capital and intangible assets	(217,564)	217,564	—	—
Principal repayments of long-term debt	114,297	(114,297)	—	—
Net assets, end of year	\$ 2,765,083	\$ 1,238,351	\$ 4,003,434	\$ 3,178,708

See accompanying notes to financial statements.

OXFAM CANADA

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 824,726	\$ 853,449
Item not involving cash:		
Amortization of tangible capital and intangible assets	217,564	242,041
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	691,972	(1,030,970)
Increase in advances to partners	(194,821)	(261,550)
Decrease (increase) in prepaid expenses	(51,924)	31,300
Increase (decrease) in accounts payable and accrued liabilities	(381,058)	662,204
Increase in deferred revenue	1,573,120	2,737,241
	<u>2,679,579</u>	<u>3,233,715</u>
Financing activities:		
Principal repayments of long-term debt	(114,297)	(110,694)
Capital activities:		
Acquisition of capital assets	(148,497)	-
Increase in cash	2,416,785	3,123,021
Cash, beginning of year	5,834,538	2,711,517
Cash, end of year	<u>\$ 8,251,323</u>	<u>\$ 5,834,538</u>

Interest paid during the year was \$24,448 (2016 - \$31,993).

See accompanying notes to financial statements.

OXFAM CANADA

Notes to Financial Statements

Year ended March 31, 2017

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 two overseas Country Offices for which it has responsibility and the revenue and expenses for which Oxfam and its two 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.

(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.

(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.

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Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

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

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%
Vehicles	Declining balance	25%
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.

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.

OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(f) Government of Canada and other contributions:

Oxfam enters into contracts with the Government of Canada (mainly Global Affairs Canada - "GAC", formerly known as the Department of Foreign Affairs, Trade and Development - "DFATD") 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.

(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.

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Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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.

2. Tangible capital and intangible assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Tangible assets:				
Land	\$ 450,000	\$ —	\$ 450,000	\$ 450,000
Building	3,870,886	1,054,651	2,816,235	2,915,648
Furniture and equipment	447,762	325,479	122,283	28,703
Computer equipment	1,264,515	1,241,875	22,640	32,342
Intangible assets:				
Management information system	1,195,224	862,035	333,189	384,307
Computer software	71,618	65,986	5,632	8,046
	\$ 7,300,005	\$ 3,550,026	\$ 3,749,979	\$ 3,819,046

Cost and accumulated amortization are recorded net of disposals of \$107,513. Cost and accumulated amortization at March 31, 2016 amounted to \$7,259,021 and \$3,439,975, respectively.

OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	2017	2016
Trade accounts payable	\$ 559,354	\$ 775,397
Severance accrual due to restructuring	–	81,404
Payroll-related costs	178,822	284,774
Other accruals	695,128	672,787
	<u>\$ 1,433,304</u>	<u>\$ 1,814,362</u>

4. Deferred revenue:

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

	2017	2016
Balance, beginning of year	\$ 7,246,432	\$ 4,509,191
Add amounts received in the year or included as receivable at year end	15,578,832	17,338,446
Less amounts recognized as revenue in the year	(14,005,712)	(14,601,205)
Balance, end of year	<u>\$ 8,819,552</u>	<u>\$ 7,246,432</u>

5. Long-term debt:

To finance its building, Oxfam has entered into a term loan at a fixed interest rate of 2.74% to October 15, 2021. 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, 2017, are as follows:

2018	\$	117,822
2019		120,835
2020		124,178
2021		127,614
2022		131,145
Thereafter		214,805
	<u>\$</u>	<u>836,399</u>

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Notes to Financial Statements (continued)

Year ended March 31, 2017

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, 2017 includes amounts held in foreign currencies as follows:

United States Dollar	\$ 1,149,042
Euro	116,159

(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 (2016 - \$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 2016.

OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Commitments:

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

2018	\$	11,040
2019		8,921
2020		6,802
	\$	26,763

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 GAC 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 GAC 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, 2016.

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Notes to Financial Statements (continued)

Year ended March 31, 2017

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 \$1.5 million is reached. Disbursements from this reserve require the approval of the Board of Directors. As of March 31, 2017, no amounts have been transferred to this reserve.

10. Donor advised fund:

Oxfam is the beneficiary of the Oxfam Canada Fund (the "Fund"), administered and controlled by Tides Canada Foundation. In the year, Oxfam received contributions of \$Nil (2016 - \$Nil) from the Fund. At March 31, 2017, the Fund balance was \$235,696 (2016 - \$118,764).

11. Comparative information:

Certain 2016 comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.