

**CAP NETWORK INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2018**



**David Burkes, B. Com, CPA, CA•IFA, CFF**



## INDEPENDENT AUDITOR'S REPORT

To the Members of  
CAP Network Inc.

I have audited the accompanying financial statements of CAP Network Inc. which comprise the statement of financial position as at March 31, 2018, the statements of changes in net unrestricted assets, the statement of operations, the statement of cash flows for the year then ended, and a summary of significant accounting policies applicable to not-for-profit organizations and other explanatory information.

### *Management and Directors' Responsibility for the Financial Statements*

Management and directors are 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 controls as management and directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards for not-for-profit organizations. Those standards require that I 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 judgement, 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 controls relevant to the corporation's preparation and fair presentation of the financial statements in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these amounts was limited to the amounts recorded in the organization's accounting records and I was not able to determine whether any adjustments might be necessary to the self-generated revenue.

### *Qualified Opinion*

In my opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material aspects, the financial position of CAP Networks Inc., as at March 31, 2018 and the results of its operations for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.



Richmond Hill, Ontario  
September 25, 2018

Chartered Professional Accountant  
Licensed Public Accountant



CAP NETWORK INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

ASSETS

	<u>2018</u>	<u>2017</u>
<u>CURRENT</u>		
Cash	\$ 80,199	\$ 59,849
Accounts Receivable	-	2,562
GST/HST Receivable	1,546	1,599
Prepaid Expenses	3,863	3,187
	<u>85,608</u>	<u>67,197</u>
 <u>CAPITAL ASSETS</u>		
Furniture and Equipment	2,089	2,089
Accumulated Amortization	(2,017)	(1,998)
	<u>72</u>	<u>91</u>
	<u>\$ 85,680</u>	<u>\$ 67,288</u>

LIABILITIES AND NET ASSETS

<u>CURRENT</u>		
Accounts Payable and Accrued Charges	\$ 25,157	\$ 16,510
Deferred Revenue (Note 3)	23,800	26,350
	<u>48,957</u>	<u>42,860</u>
 <u>UNRESTRICTED NET ASSETS</u>	<u>36,723</u>	<u>24,428</u>
	<u>36,723</u>	<u>24,428</u>
	<u>\$ 85,680</u>	<u>\$ 67,288</u>

APPROVED BY THE BOARD:

\_\_\_\_\_  
Director  
  
\_\_\_\_\_  
Director

(See Accompanying Notes)



CAP NETWORK INC.

STATEMENT OF CHANGES IN NET UNRESTRICTED ASSETS

FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
<u>BALANCE</u> , Beginning of the Year	\$ 24,428	\$ 17,886
<u>EXCESS OF REVENUE OVER EXPENSES</u>	<u>12,295</u>	<u>6,542</u>
<u>BALANCE</u> , End of the Year	<u>\$ 36,723</u>	<u>\$ 24,428</u>

*(See Accompanying Notes)*



CAP NETWORK INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
<u>REVENUE</u>		
Foundation and Project Grants (Note 2)	\$ 36,510	\$ 84,990
Donations and Fundraising	<u>104,568</u>	<u>70,542</u>
	<u>141,078</u>	<u>155,532</u>
 <u>EXPENSES</u>		
Programs	95,694	116,413
Fundraising and Communications	16,533	17,596
Office and Administration	<u>16,538</u>	<u>14,959</u>
	<u>128,765</u>	<u>148,968</u>
 <u>EXCESS OF REVENUE</u>		
<u>OVER EXPENSES BEFORE AMORTIZATION</u>	12,313	6,564
<u>AMORTIZATION</u>	<u>( 18 )</u>	<u>( 22 )</u>
<u>EXCESS OF REVENUE OVER EXPENSES</u>	<u>\$ 12,295</u>	<u>\$ 6,542</u>

*(See Accompanying Notes)*



CAP NETWORK INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Excess of Revenue over Expenses	\$ 12,295	\$ 6,542
Amortization of Capital Assets	18	22
	<u>12,313</u>	<u>6,564</u>
<b><u>Changes in Non-Cash Operating Working Capital</u></b>		
Accounts Receivable	2,562	( 2,562 )
GST/HST Receivable	53	3,888
Prepaid Expenses	( 676 )	244
Accounts Payable and Accrued Charges	8,647	9,000
Source Deductions Payable	-	( 1,253 )
Deferred Revenue	( 2,550 )	5,911
	<u>8,036</u>	<u>15,228</u>
<b><u>INCREASE IN CASH DURING THE YEAR</u></b>	20,349	21,792
<b><u>CASH, Beginning of the Year</u></b>	<u>59,849</u>	<u>38,057</u>
<b><u>CASH, End of the Year</u></b>	<u>\$ 80,198</u>	<u>\$ 59,849</u>
<b><u>CASH AND CASH EQUIVALENTS REPRESENTED BY:</u></b>		
Cash	<u>\$ 80,198</u>	<u>\$ 59,849</u>

*(See Accompanying Notes)*



**CAP NETWORK INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2018**

**INCORPORATION AND PURPOSE OF ORGANIZATION:**

The organization was incorporated under the Canada Corporations Act on February 12, 2003. The organization changed its name effective October 29, 2014 to "CAP Network Inc." The Corporation is without share capital.

The purpose of the organization is to develop partnerships to provide capacity building support and resources to local projects focused on the relief of poverty, health promotion and the advancement of education in African communities. The organization's charity number is 888987500RR0001.

**1. SIGNIFICANT ACCOUNTING POLICIES:**

These financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations. The organization's significant accounting policies are as follows:

**a) Revenue Recognition**

Grant revenues are recognized on the accrual basis. Grants received prior to the year to which they apply are recorded as deferred contributions. Donations, fundraising and foundation revenue are accounted for when received. Donations, fundraising and foundation revenues received but related to specific future projects are reflected as deferred revenue.

**b) Expense Recognition**

Expenses are recognized on the accrual basis.

**c) Capital Assets and Amortization**

Equipment is stated at cost, less applicable grants received and amortization. Amortization is recorded on the declining balance basis as follows:

Furniture and Equipment	20%
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**d) Financial Instruments**

Financial Instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair market value of a financial asset is other than temporary, the financial instrument is written down to its fair market value. Unless otherwise indicated, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial statements. The fair market value of these instruments approximate recorded amounts because of the short period to receipt or payment of cash.





CAP NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

2. FOUNDATION AND PROJECT GRANTS:

Foundation and Project Grants are comprised of the following:

	<u>2018</u>	<u>2017</u>
Interagency Coalition on Aids and Development	\$ -	\$ 62,647
K.M. Hunter Foundation	8,000	9,000
Ptarmigan Foundation	20,500	4,500
West Vancouver United Church	500	5,000
OCIC	-	1,861
Rotary Club of Peterborough Kawartha	4,000	1,000
Runnymede United Church	750	750
WUSC	-	232
Abundance Canada	1,510	-
Burgess Foundation	1,250	-
	<u>\$ 36,510</u>	<u>\$ 84,990</u>

3. DEFERRED REVENUE:

Deferred Revenue is comprised of the following:

	<u>2018</u>	<u>2017</u>
K.M. Hunter Foundation	\$ 11,000	\$ 8,000
Ptarmigan Foundation	4,500	5,000
Other - Donations	8,300	13,350
	<u>\$ 23,800</u>	<u>\$ 26,350</u>

Continuity of Deferred Revenue for the year is as follows:

	<u>2018</u>	<u>2017</u>
Deferred Revenue, Beginning of the Year	\$ 26,350	\$ 20,439
Add - Received/Receivable during the Year	39,010	161,443
Less - Recognized during the Year	(41,560)	(155,532)
Deferred Revenue, End of the Year	<u>\$ 23,800</u>	<u>\$ 26,350</u>



CAP NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

4. **USE OF ESTIMATES:**

The preparation of financial statements in accordance 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Significant items subject to such estimates and assumptions include the useful lives of capital assets, prepaid membership and conferences and year-end accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

5. **CONTRIBUTED SERVICES:**

Volunteers contribute significant time to assist the organization in carrying out its services and activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

6. **CAPITAL MANAGEMENT AND ECONOMIC DEPENDENCE:**

The organization includes cash, accounts payable and accrued charges, deferred revenue and net assets in its capital management consideration. The organization's objectives when managing capital are to safeguard its ability to continue as a going concern and continue to execute its mandate within the restrictions that the organization is not in receipt of core funding.

The organization monitors these items to assess its ability to fulfill its ongoing financial obligations. The organization relies primarily on grants, fundraising and donations to fund its operations and makes adjustments to its budgeted expenditures in light of changes. The organization is not subject to externally imposed capital requirements.

The organization is dependant on self-generated funding for continued operations.

CAP NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018

7. FINANCIAL INSTRUMENTS - RISK MANAGEMENT:

a) Interest Rate Risk

Interest rate risk is the risk of potential financial loss caused by fluctuations in their fair value of future cash flow of financial instruments due to changes in market interest rates.

b) Credit Risk

Credit risk is the potential for financial loss should a counter-party in a transaction fail to meet its obligations. Due to the nature of the contributions and general operations, the Organization does not face any significant concentration of credit risk.

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization manages this risk by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

The organization's financial instruments consist of accounts and grants receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, credit or liquidity risks. The fair value of these financial instruments approximates their carrying values.