

CAP NETWORK INC.

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2021



David Burkes, CPA



INDEPENDENT AUDITOR'S REPORT

**To the Members of
CAP Network Inc.
Report on the Audit of the Financial Statements**

Opinion

I have audited the financial statements of CAP Network Inc. ("the Organization"), which comprise the statement of financial position as at March 31, 2021, the statement of operations and changes in net assets, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of CAP Network Inc. as at March 31, 2021, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, membership fees, ticket sales, subscription fees 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 donations, membership fees, ticket sales, subscription fees and fundraising revenue.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing these financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Richmond Hill, Ontario
November 22, 2021


Chartered Professional Accountant
Licensed Public Accountant



David Burkes, CPA

CAP NETWORK INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

ASSETS

	<u>2021</u>	<u>2020</u>
<u>CURRENT</u>		
Cash	\$ 94,849	\$ 85,250
Accounts Receivable	-	11,750
GST/HST Receivable	1,572	1,821
Prepaid Expenses	4,267	4,852
	<u>100,688</u>	<u>103,673</u>
 <u>CAPITAL ASSETS</u>		
Furniture and Equipment	2,089	2,089
Accumulated Amortization	<u>(2,089)</u>	<u>(2,089)</u>
	-	-
	<u>\$ 100,688</u>	<u>\$ 103,673</u>

LIABILITIES AND NET ASSETS

<u>CURRENT</u>		
Accounts Payable and Accrued Charges	\$ 7,532	\$ 7,033
Deferred Revenue (Note 3)	45,246	48,804
	<u>52,778</u>	<u>55,837</u>
 <u>NET ASSETS</u>		
Unrestricted Net Assets	42,836	42,836
Internally Restricted Net Assets (Note 8)		
Special Projects Fund	5,074	5,000
	<u>47,910</u>	<u>47,836</u>
	<u>\$ 100,688</u>	<u>\$ 103,673</u>

APPROVED BY THE BOARD:

Director

Director

(See Accompanying Notes)

CAP NETWORK INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2021

	<u>Unrestricted</u>	<u>Internally Restricted</u> (Note 8)	<u>2021</u>	<u>2020</u>
<u>BALANCE</u> , Beginning of Year	\$ 42,836	\$ 5,000	\$ 47,836	\$ 42,836
<u>EXCESS OF REVENUE OVER EXPENSES</u>	\$ 5,074	\$ (5,000)	\$ 74	\$ 5,000
<u>INTERFUND TRANSFER</u> (Note 8)	<u>\$ (5,074)</u>	<u>\$ 5,074</u>	<u>\$ -</u>	<u>\$ -</u>
<u>BALANCE</u> , End of the Year	<u>\$ 42,836</u>	<u>\$ 5,074</u>	<u>\$ 47,910</u>	<u>\$ 47,836</u>

(See Accompanying Notes)

CAP NETWORK INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
<u>REVENUE</u>		
Foundation and Project Grants (Note 2)	\$ 56,686	\$ 60,804
Donations and Fundraising	<u>216,863</u>	<u>131,645</u>
	<u>273,549</u>	<u>192,449</u>
 <u>EXPENSES</u>		
Programs	226,646	149,967
Fundraising and Communications	22,607	19,606
Office and Administration	<u>19,222</u>	<u>17,876</u>
	<u>268,475</u>	<u>187,449</u>
 <u>EXCESS OF REVENUE</u>		
<u>OVER EXPENSES BEFORE AMORTIZATION</u>	5,074	5,000
 <u>AMORTIZATION</u>		
	<u>-</u>	<u>-</u>
<u>EXCESS OF REVENUE OVER EXPENSES</u>	<u>\$ 5,074</u>	<u>\$ 5,000</u>

(See Accompanying Notes)

CAP NETWORK INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Excess of Revenue over Expenses	\$ 5,074	\$ 5,000
Amortization of Capital Assets	-	-
	<u>5,074</u>	<u>5,000</u>
<u>Changes in Non-Cash Operating Working Capital</u>		
Accounts Receivable	11,750	(11,750)
GST/HST Receivable	249	189
Prepaid Expenses	585	(168)
Accounts Payable and Accrued Charges	499	3,227
Deferred Revenue	(3,558)	24,847
Net Restricted Fund Expenditures	(5,000)	-
	<u>4,525</u>	<u>16,345</u>
<u>INCREASE IN CASH DURING THE YEAR</u>	9,599	21,345
<u>CASH, Beginning of the Year</u>	<u>85,250</u>	<u>63,905</u>
<u>CASH, End of the Year</u>	<u>\$ 94,849</u>	<u>\$ 85,250</u>
<u>CASH AND CASH EQUIVALENTS REPRESENTED BY:</u>		
Cash	<u>\$ 94,849</u>	<u>\$ 85,250</u>

(See Accompanying Notes)

CAP NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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, 2021

2. FOUNDATION AND PROJECT GRANTS:

Foundation and Project Grants are comprised of the following:

	<u>2021</u>	<u>2020</u>
Ptarmigan Foundation	\$ 20,000	\$ 23,500
K.M. Hunter Foundation	11,000	14,300
Interagency Coalition on Aids and Development	8,433	10,866
Women's Interchurch Council	5,000	-
United Church of Canada Foundation	3,000	-
Kamisa Charitable Foundation	3,000	-
West Vancouver United Church	2,500	3,000
Runnymede United Church	1,500	750
Rotary Club of Peterborough Kawartha	1,900	1,572
Other	353	5,316
Abundance Canada	-	1,500
	<u>\$ 56,686</u>	<u>\$ 60,804</u>

3. DEFERRED REVENUE:

Deferred Revenue is comprised of the following:

	<u>2021</u>	<u>2020</u>
Earmarked Contributions - CAP/AIDS	\$ 24,469	\$ 14,950
Earmarked Contributions - Village of Love	9,841	12,504
Earmarked Contributions - Rainmaker Enterprise	5,526	12,751
Earmarked Contributions - ACAI	4,435	-
Earmarked Contributions - Gua Africa	664	142
Earmarked Contributions - Bridging Worlds Through Music	156	457
Earmarked Contributions - PACC Policy	155	-
ICAD	-	8,000
	<u>\$ 45,246</u>	<u>\$ 48,804</u>

Continuity of Deferred Revenue for the year is as follows:

	<u>2021</u>	<u>2020</u>
Deferred Revenue, Beginning of the Year	\$ 48,804	\$ 23,957
Add - Received/Receivable during the Year	269,991	217,296
Less - Recognized during the Year	(273,549)	(192,449)
Deferred Revenue, End of the Year	<u>\$ 45,246</u>	<u>\$ 48,804</u>

CAP NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

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.

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.

CAP NETWORK INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2021

7. FINANCIAL INSTRUMENTS - RISK MANAGEMENT: (Continued)

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.

8. INTERNALLY RESTRICTED NET ASSETS:

CAP Network Inc.'s restricted net assets are comprised of internally designated funds set aside at the Board's discretion annually pursuant to its Reserve Fund Policy and Operating Surplus Policy respectively.

The Reserve Fund Policy, established by CAP Network Inc.'s Board of Directors in 2018 allows for the created of two internally restricted funds: a.) The Restructed Reserve Fund, which is to be used in the event of organization closure to fund between 6 and 12 months of budgeted operational (non-programming) expenses, and b.) The Special Projects Fund, which is to be used for extraordinary non-budgeted expenditures incurred by program partner organizations.

8. INTERNALLY RESTRICTED NET ASSETS (Continued):

The Operating Surplus Policy, established by CAP Network Inc.'s Board of Directors in 2018 allows for the allocated transfer of any realized surplus, up to a maximum of 10% of annual budgeted operational (non-programming) expenses, to the above-noted restricted funds, at the Board's discretion.

In 2021, the Board allocated \$5,074 (2020 - \$5,000) to the Special Projects Fund. \$5,000 of expenditures were incurred and paid for from the internally restricted funds in 2021 (2020 - \$NIL).