

MANAGEMENT REPORT ON FINANCIAL STATEMENTS 2015



Our Vision ...

To be recognized as a global knowledge leader in performance auditing.

Our Mission ...

To promote and strengthen public sector performance audit, oversight and accountability in Canada and abroad through research, education and knowledge sharing.

CCAF-FCVI's financial statements for the year ended March 31, 2015, together with the independent auditor's report thereon, are presented in this annual report.

The purpose of this Management Report is to comment to members and stakeholders on how the organization has performed financially and to provide some thoughts on the future. Our report explains significant items, fluctuations or changes in the policies affecting the presentation of our financial statements.

Oversight for these financial statements is provided by the CCAF Audit and Finance Committee (AFC) whose six members include the Board Chair. The AFC meets with management and the external auditor before, during, and at the end of the audit process, including in-camera sessions, to discuss the audit, internal policies and controls, risk management, and any financial and reporting issues. The AFC recommends the audited financial statements for approval by the Board.

The external auditor, Collins Barrow Ottawa LLP, has reported to the AFC that there were no internal control matters to be brought to its attention, and has provided an unqualified audit opinion on CCAF's financial statements.

The financial statements in this report have been prepared by management according to Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) and audited by Collins Barrow in accordance with Canadian generally accepted auditing standards.

FUNDING AND REVENUE

As a member-based organization, our focus continues to be on increasing value for money to the members who provide the majority of our annual funding, while continuously looking for ways to leverage our work out to other communities, that also provide funding to CCAF. As a non-profit organization that relies primarily on membership funding, in addition to grants and contributions, we are fortunate to have had, over the past 35 years, a stable and consistent funding base provided by our institutional members and partners, in particular from Canada's federal and provincial legislative audit community, as well as from the Department of Foreign Affairs, Trade and Development (DFATD).

In addition to the above-noted sources of funding, we also benefit significantly from substantial in-kind support provided by the legislative audit community and others, particularly in supporting the international program.

Over the past two years, CCAF has been able to increase its programming due to additional contributions of human resources donated by the Office of the Auditor General of Canada, provided on an in kind basis.

CCAF Revenue sources remained relatively stable over the year, with a slight decrease of 3.4% overall over the previous year, including a decrease in performance audit education revenue, for which demand is cyclical.

CCAF's current international program provides \$8.8 million in contributions from DFATD over the period 2012-2017. This was the 35th year in which CCAF, with its Canadian legislative audit and other partners, delivered a DFTAD-funded program. The current program focuses on four countries, Ghana, Tanzania, Cameroon and Vietnam, and their regions. Now into the third year of the program, management is beginning to look forward towards the development of a new program agreement so that we can continue to build on the successes of the programming delivered thus far. Revenue from international program funds, which includes a contribution to General expenses, saw a slight decrease of 2.0%.

EXPENSES

Managing the CCAF's resources in a prudent way, while still delivering on programs and services of value to members is important to CCAF management. As a result of the slight revenue decreases, management reviewed its expenditures during the course of the year and achieved a 4.0% decrease to reflect the reductions in revenue for the year. We did this by a combination of expenditure efficiency as well as a deferral of a small number of activities. Members still received the excellent products and services as described in this annual report, including the release of our second methodology guide on Auditing Oversight.

NET ASSETS POSITION

Every organization faces risks and challenges that could impact its financial position over time. Prudent fiscal management of CCAF resources is an important part of ensuring that CCAF has adequate resources in place to protect against unanticipated fiscal challenges that may arise in the future.

CCAF Net assets position increased to \$734,015 as at March 31, 2015. Over the past year, the Board of Directors and Management have undertaken a review of CCAF's Net Assets Reserve Policy to ensure that CCAF has adequate coverage for potential financial risks, but also importantly address the question of future investment in the organizations growth and sustainability. This review is particularly timely given the Board's approval of the new CCAF strategic plan in February 2015, and towards establishing appropriate budgetary oversight in order to manage these important future investments into new programs and services that will bring value to CCAF members.

LOOKING FORWARD

We continue to operate with prudence, recognizing the current economic and fiscal environment where public sector organizations are being asked to do more with less and we look forward to working with our Board, our members and other stakeholders as we embark on the next five years with a renewed strategic plan, mission and vision for the future.

NICOLE WIECZOREK
Vice-President, Operations &
Chief Financial Officer



Financial Statements

For the year ended March 31, 2015

CCAF-FCVI Inc.
Financial Statements
For the year ended March 31, 2015

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Independent Auditor's Report

To the Members of CCAF-FCVI Inc.

We have audited the accompanying financial statements of CCAF-FCVI Inc., which comprise the statement of financial position as at March 31, 2015, the statement of operations and changes in net assets, and the statement of 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 an 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 of our audit opinion.

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Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CCAF-FCVI Inc. as at March 31, 2015, 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.

Restated Corresponding Information

We also audited the change in accounting policy described in Note 7 to the financial statements that was applied to restate the corresponding information for the year ended March 31, 2014. In our opinion, the adjustment has been properly applied.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
July 7, 2015
Ottawa, Ontario

CCAF-FCVI Inc.
Statement of Financial Position

March 31 2015 2014

Assets

Current

Cash (Note 1)	\$ 912,483	\$ 1,220,285
Accounts receivable	36,096	55,271
Government remittances receivable	39,377	42,289
Accrued international program funds (Note 4)	5,497	-
Prepaid expenses	33,469	33,805

	1,026,922	1,351,650
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Tangible capital assets (Note 2)	-	11,199
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	\$ 1,026,922	\$ 1,362,849
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 292,907	\$ 439,136
Deferred revenue (Note 3)	-	35,396
Unexpended international program funds (Note 4)	-	185,609

	292,907	660,141
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Net assets

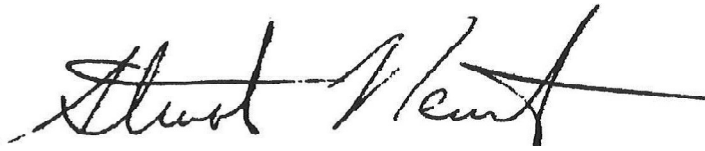
Unrestricted	734,015	702,708
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	\$ 1,026,922	\$ 1,362,849
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On Behalf of the Board of Directors:



Director



Director

CCAF-FCVI Inc.

Statement of Operations and Changes in Net Assets

For the year ended March 31	2015	2014
Revenue		
Membership fees and contributions (Note 7)	\$ 1,226,297	\$ 1,283,958
International program funds (Note 4)	1,934,945	1,975,366
Performance audit education	93,038	106,038
Interest	8,554	12,237
	<u>3,262,834</u>	<u>3,377,599</u>
Total revenue	<u>3,262,834</u>	<u>3,377,599</u>
Direct program expenses (Note 5)		
Performance audit programs and services (Note 7)	569,773	615,611
Performance audit education	58,778	90,989
Oversight programs and services	165,123	172,949
International program	1,794,983	1,840,037
	<u>2,588,657</u>	<u>2,719,586</u>
General expenses (Note 5)		
Corporate management	334,908	331,211
Operations and other support	296,763	304,483
Amortization of tangible capital assets	11,199	11,198
	<u>642,870</u>	<u>646,892</u>
Total expenses	<u>3,231,527</u>	<u>3,366,478</u>
Excess of revenue over expenses for the year	31,307	11,121
Net assets , beginning of year	<u>702,708</u>	<u>691,587</u>
Net assets , end of year	<u>\$ 734,015</u>	<u>\$ 702,708</u>

CCAF-FCVI Inc.
Statement of Cash Flows

For the year ended March 31	2015	2014
Cash flows from (used in) operating activities		
Excess of revenue over expenses for the year	\$ 31,307	\$ 11,121
Item not affecting cash:		
Amortization of tangible capital assets	<u>11,199</u>	11,198
	42,506	22,319
Changes in non-cash working capital balances:		
Accounts receivable	19,175	(26,451)
Government remittances receivable	2,912	(6,127)
Accrued international program funds	(5,497)	-
International program funds receivable	-	381,602
Prepaid expenses	336	(17,508)
Accounts payable and accrued liabilities	(146,229)	159,326
Deferred revenue	(35,396)	(7,888)
Unexpended international program funds	<u>(185,609)</u>	63,176
Increase (decrease) in cash during the year	(307,802)	568,449
Cash, beginning of year	<u>1,220,285</u>	651,836
Cash, end of year	\$ 912,483	\$ 1,220,285

CCAF-FCVI Inc.

Summary of Significant Accounting Policies

March 31, 2015

**Nature and Purpose
of the Organization**

CCAF-FCVI Inc. (the "Foundation") was established in 1980 by letters patent under the provisions of Part II of the Canada Corporations Act. The Foundation continued under the Canada Not-for-profit Corporations Act (the "Act") effective September 9, 2014.

In accordance with the Foundation's Articles of Continuance under the Act, the purpose of the Foundation is to promote and strengthen public sector auditing, oversight, and accountability in Canada and abroad. The Foundation provides education, research and capacity development for public sector auditors and oversight committees, helping them to work with other public officials for accountable government. The Foundation's products and services are widely respected, referenced and applied by auditors, legislators and other public officials in Canada and abroad.

Significant portions of the Foundation's revenue, including a contribution to general expenses, are derived from the Department of Foreign Affairs, Trade and Development Canada ("DFATD"), formerly the Canadian International Development Agency ("CIDA"), as set out in Note 4 to these financial statements. In addition, the Foundation derives approximately 52% of its membership fees and contributions from one member. The Foundation's current level of operations depends on the continuation of these revenue sources.

The Foundation was organized and is operated for the purposes outlined above and as such is not taxable under the Income Tax Act of Canada.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the fiscal year in which they become known.

Significant estimates include assumptions used in: estimating the initial fair value of financial instruments; estimating the amounts and collectibility of accounts receivable; establishing the useful lives and related amortization of tangible capital assets; estimating provisions for

CCAF-FCVI Inc.

Summary of Significant Accounting Policies

March 31, 2015

Use of Estimates
(continued)

accrued liabilities; estimating the salaries and benefits allocated to various operational areas; estimating the amount of contributions earned, receivable, accrued and deferred under the Foundation's contribution and other funding agreements; and estimating contributions in kind recognized in the financial statements.

Financial Instruments

Financial instruments are financial assets or financial liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or has the obligation to pay another party cash or other financial assets.

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, accounts receivable, government remittances receivable and accrued international program funds. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and unexpended international program funds. The Foundation has no financial assets or financial liabilities measured at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Foundation recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

CCAF-FCVI Inc.

Summary of Significant Accounting Policies

March 31, 2015

Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Externally restricted funds are recognized as revenue in the year in which the related expenses are incurred. Unrestricted funds are recognized as revenue when received or receivable if the amount to be received can be reasonably assured.

Unrestricted interest revenue is recognized as revenue when it is earned with the passage of time. Externally restricted interest revenue, if any, is initially deferred and is recognized as revenue in the year in which the related expenses are incurred.

The Foundation sets its membership fees on an annual basis, which are recognized as revenue in the fiscal year to which they relate.

Performance audit education revenue is recognized in the year in which the goods and services are rendered or sold.

Contributions In Kind

In accordance with Canadian Accounting Standards for Not-for-Profit Organizations, an organization may choose to recognize in kind contributions of services but should do so only when the fair value can be reasonably estimated, and when the services are used in the normal course of the organization's operations and would otherwise have been purchased. Members and other contributors provide a significant amount of time and absorb costs related to certain activities of the Foundation. These services are in the normal course of the Foundation's operations but in certain instances their fair value and completeness are not reasonably determinable. Certain of these contributed services are volunteer services which would not otherwise be purchased by the Foundation so they are not recognized in the financial statements. Other in kind contributions of services would however be otherwise purchased by the Foundation if they had not been contributed, and their fair value and completeness are reasonably determinable such that they are recognized in the financial statements. The benefit of the contribution is included in revenue and there is an offsetting expense with no resulting impact on the Foundation's net results of operations.

Capital Assets

Tangible capital assets consisting of furniture, office equipment and leasehold improvements are stated at acquisition cost. Amortization of furniture and office equipment is provided on the straight-line basis over a three-year period. Amortization of leasehold improvements is provided on a straight-line basis over the expected remaining term of the lease at the time of acquisition.

When a tangible capital asset no longer has any long-term potential to the Foundation, the write-down, being the excess of its net carrying amount over any residual value, is expensed. A write-down is not reversed in subsequent years.

CCAF-FCVI Inc.

Summary of Significant Accounting Policies

March 31, 2015

Capital Assets
(continued)

Intangible assets, being computer software, are expensed in the year of acquisition.

Development Costs

The Foundation develops educational products and research publications for the purposes outlined in the Nature and Purpose of the Organization. Fees charged for the use and purchase of these items are generally set such that direct costs are recovered. Related development costs are expensed in the year incurred.

Allocation of Expenses

The Foundation's expenses are presented in the statement of operations and changes in net assets on a functional basis. Expenses attributed to a particular function are directly related to the output of that functional category and are therefore not considered indirect allocated expenses. The Foundation does not allocate its general expenses, consisting of corporate management, and operations and other expenses, to other functional expense categories.

CCAF-FCVI Inc.
Notes to Financial Statements

March 31, 2015

1. Cash

The Foundation's cash is held in two accounts at one Canadian chartered bank, the majority of which is held in a corporate investment account that earns a variable rate of interest based on a tiered arrangement. As at March 31, 2015, the corporate investment account had a balance of \$777,558 (2014 - \$1,019,167) and was earning an approximate average rate of interest of 1% (2014 - approximate average rate of interest of 1%). The other bank account is a business cash account that earns interest at a nominal variable rate, if any, at the lesser of 0.35% and the bank's prime rate less 3% (2014 - lesser of 0.35% and the bank's prime rate less 3%). Cash earning nominal interest, if any, as at March 31, 2015 totals \$134,925 (2014 - \$201,118).

2. Tangible Capital Assets

	2015			2014		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture, office equipment and leasehold improvements	\$ 33,358	\$ 33,358	\$ -	\$ 33,358	\$ 22,159	\$ 11,199

3. Deferred Revenue

Deferred revenue consists of membership fees and contributions related to subsequent years as summarized below.

	2015		2014	
Membership fees	\$ -	\$	15,667	
Contributions	-	\$	19,729	
	\$ -	\$	35,396	

CCAF-FCVI Inc.
Notes to Financial Statements

March 31, 2015

4. International Program Funds

The Foundation coordinates a program designed to build the capacity and effectiveness of performance audit in the supreme audit institutions ("SAIs") of selected developing countries. The program also contributes to enhanced leadership and capacity of parliamentary oversight committees and to strengthened coordination and knowledge-sharing among donors, SAIs and their regional associations. Partnering with a network of Canadian experts, the Foundation delivers capacity building activities including Fellowship placements with Canadian audit offices, in-country and regional workshops, and other targeted training and mentoring.

International program costs are funded by the Department of Foreign Affairs, Trade and Development Canada ("DFATD"), formerly the Canadian International Development Agency ("CIDA"), with in kind contributions from Canadian experts at the Office of the Auditor General of Canada, participating provincial audit Offices, the Foundation, municipal audit offices, parliamentarians and individual Canadians. DFATD pays direct costs associated with the program and makes a contribution to the Foundation's general expenses. The current agreement with DFATD was effective August 29, 2012, and provides program funding of \$8,800,000 over the period ending on December 31, 2017. The total funding under the agreement yet to be potentially recognized as revenue as at March 31, 2015 is \$4,082,522 (2014 - \$6,017,467).

The flow of the program funds is as follows:

	<u>2015</u>	<u>2014</u>
Unexpended program funds, beginning of year	\$ 185,609	\$ 122,433
Advances from DFATD	<u>1,743,839</u>	<u>2,038,542</u>
	1,929,448	2,160,975
Revenue recognized representing expenses for the year including contributions to general expenses	<u>1,934,945</u>	1,975,366
Unexpended (accrued) program funds, end of year	<u>\$ (5,497)</u>	<u>\$ 185,609</u>

CCAF-FCVI Inc.
Notes to Financial Statements

March 31, 2015

5. Salaries and Benefits

The total amount of salaries and benefits for the 2015 fiscal year is \$1,384,394 (2014 - \$1,288,720). Salaries and benefits are allocated to various operational areas based on management's estimate of resource utilization as outlined in the following table.

	2015	2014
Performance audit programs and services	\$ 314,096	\$ 294,823
Performance audit education	3,082	2,580
Oversight programs and services	120,069	103,436
International program	572,352	547,096
Corporate management	248,108	210,493
Operations and other support	126,687	130,292
	\$ 1,384,394	\$ 1,288,720

For the 2015 fiscal year the Foundation revised the allocation basis used. Therefore, in certain instances the 2014 corresponding amounts have been reclassified to use the revised allocation basis.

6. Commitments

The Foundation's lease agreement for its office premises expires on February 28, 2016 and the 2016 fiscal year commitment is \$83,662.

The Foundation also has residential leases as part of its international program. Multiple leases are on a month-to-month basis and one lease expires on May 31, 2015 after which it will also continue on a month-to-month basis. Subsequent to March 31, 2015, five leases have been negotiated that will start in September 2015 and will expire on May 31, 2016. The commitment for the 2016 fiscal year is \$58,100 and for the 2017 fiscal year it is \$16,600 for these residential leases.

CCAF-FCVI Inc.
Notes to Financial Statements

March 31, 2015

7. Contributions In Kind

Commencing in the 2015 fiscal year, the Foundation changed its accounting policy with respect to the recognition of certain in kind contributions of services received. As permitted under Canadian Accounting Standards for Not-for-Profit Organizations as an accounting policy choice, these in kind contributions relate to services that, in the normal course of operations, would otherwise be purchased and for which the fair value and completeness is reasonably determinable. The Foundation has adopted this new accounting policy to better reflect the breadth of its results of operations, and to increase transparency. The change in accounting policy has been applied on a retroactive basis and the 2014 corresponding amounts presented in these financial statements have been restated.

In kind contributions of services recognized in the financial statements total \$170,466 (2014 - \$170,466) and are included in membership fees and contributions revenue, and performance audit programs and services expense, resulting in no net impact in the Foundation's net results of operations.

8. Financial Instruments Risks and Concentrations

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations as at March 31, 2015.

The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risks relate to its accounts receivable, and accrued international program funds set out in Note 4 to these financial statements. Although not considered a significant risk, credit risk also exists in relation to the Foundation's cash balances. The cash balances are set out in Note 1 to these financial statements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to interest rate risk.

CCAF-FCVI Inc.
Notes to Financial Statements

March 31, 2015

8. Financial Instruments Risks and Concentrations (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation's financial instruments are in Canadian currency. Consequently, the Foundation is not exposed to foreign exchange fluctuations on its financial instruments. However, the Foundation does incur expenses in foreign currencies related to its international activities, and is therefore exposed to foreign exchange fluctuations on its future expenses.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation would be exposed to interest rate risk on fixed and variable interest rate financial instruments. The Foundation does not hold fixed-rate instruments so it is not subject to a fair value risk. The Foundation holds floating-rate financial instruments being its cash balances, as set out in Note 1 to these financial statements, which would subject the Foundation to a cash flow risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is not exposed to other price risk.

Changes in risks

There have been no significant changes in the Foundation's risk exposures from its 2014 fiscal year.
