

CANDEM
Financial Statements
March 31, 2022

CANADEM
Contents

For the year ended March 31, 2022

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To the Board of Directors of CANADEM:

Qualified Opinion

We have audited the financial statements of CANADEM (the "Organization"), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, 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

Note 2 describes the accounting policy with respect to CANADEM's capital assets. The note indicates that CANADEM does not capitalize and amortize its purchased capital assets on the grounds that it must identify as an expense all items that are to be funded in the year of purchase by contributing government and other organizations. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. The effect of this departure from Canadian accounting standards for not-for-profit organizations on the audited financial statements has not been determined.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We communicate 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 we identify during our audit.

Ottawa, Ontario

September 16, 2022

MNP LLP

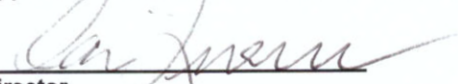
Chartered Professional Accountants

Licensed Public Accountants

CANADEM
Statement of Financial Position
As at March 31, 2022

	2022	2021
Assets		
Current		
Cash	2,468,565	1,888,566
Accounts receivable (Note 3)	3,288,166	2,288,116
Prepaid expenses and advances	17,263	29,496
	5,773,994	4,205,178
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	857,437	500,041
Deferred contributions (Note 5)	1,925,706	820,108
	2,783,143	1,320,149
Net Assets		
Unrestricted	174	174
Operational Implementation Drawdown Fund (Note 7)	1,794,407	1,730,913
Operational Emergency Reserve (Note 7)	598,135	576,971
Contingency Reserve (Note 7)	388,788	375,031
Strategic Initiative Fund (Note 7)	209,347	201,940
	2,990,851	2,885,029
	5,773,994	4,205,178

Approved on behalf of the Board of Directors


 Director

The accompanying notes are an integral part of these financial statements

CANADEM
Statement of Operations
For the year ended March 31, 2022

	2022	2021
Revenues		
GAC		
Democracy Promotion	2,483,019	2,922,567
Humanitarian Aid	1,154,227	1,543,505
FCDO		
HEROS	3,212,073	4,015,103
OTHER		
Humanitarian Aid	4,450,240	3,102,862
THS - PWGSC	162,487	114,246
Other revenues and interest (Note 12)	1,659	275,322
Foreign exchange loss	(95,787)	(101,468)
Total revenues	11,367,918	11,872,137
Expenses		
GAC		
Democracy Promotion	2,210,279	2,609,435
Humanitarian Aid	1,068,973	1,433,520
FCDO		
HEROS	2,990,908	3,717,520
OTHER		
Humanitarian Aid	4,227,554	2,996,359
THS - PWGSC	147,334	103,404
Administrative expenses		
Salaries and benefits	325,674	284,463
Occupancy	99,745	101,890
Professional fees	92,811	61,879
Other	52,642	32,379
Equipment and servicing	28,880	34,165
Communications	12,885	18,868
Office supplies	4,411	2,807
Total expenses	11,262,096	11,396,689
Excess of revenue over expenses	105,822	475,448

The accompanying notes are an integral part of these financial statements

CANADEM
Statement of Changes in Net Assets
For the year ended March 31, 2022

	<i>Unrestricted</i>	<i>Operational Implementation Drawdown Fund</i>	<i>Operational Emergency Reserve</i>	<i>Contingency Reserve</i>	<i>Strategic Initiative Fund</i>	2022	<i>2021</i>
Net assets, beginning of year	174	1,730,913	576,971	375,031	201,940	2,885,029	2,409,581
Excess of revenue over expenses	105,822	-	-	-	-	105,822	475,448
Internal transfer between funds <i>(Note 7)</i>	(105,822)	63,494	21,164	13,757	7,407	-	-
Net assets, end of year	174	1,794,407	598,135	388,788	209,347	2,990,851	2,885,029

The accompanying notes are an integral part of these financial statements

CANADEM
Statement of Cash Flows
For the year ended March 31, 2022

	2022	2021
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	105,822	475,448
Capital asset purchases	51,709	-
Changes in working capital accounts		
Accounts receivable	(1,000,050)	(712,074)
Prepaid expenses and advances	11,233	(600)
Accounts payable and accrued liabilities	357,396	54,316
Deferred contributions	1,105,598	(777,533)
Cash provided by (used for) operating activities	631,708	(960,443)
Investing		
Capital asset purchases	(51,709)	-
Increase (decrease) in cash	579,999	(960,443)
Cash, beginning of year	1,888,566	2,849,009
Cash, end of year	2,468,565	1,888,566

The accompanying notes are an integral part of these financial statements

1. Governing statutes and purpose of the organization

CANADEM was incorporated without share capital on September 22, 1998 under the Canada Corporations Act, and continued under Canada's Not-for-Profit Corporations Act on February 5, 2014. CANADEM is an international recruitment, rostering, deployment and program/mission management agency. The CANADEM Roster includes Canadians and Internationals skilled in governance, human rights, rule of law, peacebuilding, democratization, admin logistics, security, reconstruction and other field expertise. The Roster is a rapid reaction "connection" between skilled CANADEM experts and the UN, OSCE, and other international organizations; the Canadian, UK and other governments; and non-governmental organizations. CANADEM Operations is a rapid deployment mechanism that engages and deploys individuals to serve with field missions of the UN and others, or CANADEM-run field missions. As a not-for-profit entity, CANADEM is not subject to income taxes.

2. Significant accounting policies

Basis of accounting

CANADEM's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations, except as described below in the capital assets accounting policy.

Measurement uncertainty

The preparation of 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 revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in the statement of operations in the periods in which they become known. Items requiring the use of estimates include the valuation of accounts receivable, the measurement of accrued liabilities when no invoice has been received and the corresponding occurrence of revenues for project costs. Actual results may differ from these estimates.

Financial instruments

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. The Organization adopted the amendments to Section 3856 Financial Instruments effective April 1, 2021 with full retrospective application. There was no impact to the financial statements as a result of the retrospective application.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures all its financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Non-arm's length financial instruments

The Organization measures its non-arm's length transactions at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

2. Significant accounting policies *(Continued from previous page)*

At initial recognition, the Organization may elect to subsequently measure non-arm's length debt instruments that are quoted in active market, or that have observable inputs significant to the determination of fair value, at fair value.

The Organization has not made such an election during the year.

The Organization subsequently measures financial instruments that were initially measured at cost, including non-arm's length equity instruments not quoted on an active market, at amortized cost less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of non-arm's financial instruments are immediately recognized in excess of revenue over expenses.

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

Capital assets

Tangible and intangible capital assets are recognized in the statement of operations as an expense in the year acquired. This represents a departure from Canadian accounting standards for not-for-profit organizations.

Revenue recognition

CANADEM follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are included in deferred contributions on the statement of financial position and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Contributed materials

Volunteers contribute a significant number of hours per year to CANADEM. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Other donated materials and services are also not reflected in the financial statements.

Allocation of expenses

CANADEM's functions are comprised of the various projects that are undertaken during the year. CANADEM allocates salaries and benefits to each function based on time spent by the personnel working towards each function.

2. Significant accounting policies *(Continued from previous page)*

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the statement of financial position date. Revenues and expenses denominated in foreign currency are translated at the rate of exchange in effect on the day of the transaction. Exchange gains or losses when realized or unrealized are recorded in the statement of operations.

3. Accounts receivable

Accounts receivable is principally comprised of project holdbacks for existing contribution agreements and consists of:

	2022	2021
UN - Humanitarian Aid	1,867,215	740,457
FCDO - HEROS	1,397,065	1,251,788
Other receivables	20,234	20,981
Sales tax receivable	3,652	5,415
GAC - Humanitarian Aid	-	269,475
	3,288,166	2,288,116

Included in accounts receivable is an allowance for doubtful accounts of \$Nil (2021 - \$Nil).

4. Accounts payable and accrued liabilities

	2022	2021
Trade payables	749,333	423,013
Accrued liabilities	108,104	57,137
Due to government agencies	-	19,891
	857,437	500,041

5. Deferred contributions

Deferred contributions as at March 31, 2022 consist of the following specific programs:

	Balance, beginning of year	Contributions received	Amount recognized in revenue	Balance, end of year
GAC				
Democracy Promotion	355,969	3,765,522	2,483,019	1,638,472
Humanitarian Aid	439,238	882,717	1,154,227	167,728
FCDO				
HEROS	24,901	3,187,172	3,212,073	-
UN				
Humanitarian Aid	-	4,569,746	4,450,240	119,506
	820,108	12,405,157	11,299,559	1,925,706

Deferred contributions as at March 31, 2021 consist of the following specific programs:

	Balance, beginning of year	Contributions received	Amount recognized in revenue	Balance, end of year
GAC				
Democracy Promotion	770,817	2,507,719	2,922,567	355,969
Humanitarian Aid	826,824	1,155,919	1,543,505	439,238
FCDO				
HEROS	-	4,040,004	4,015,103	24,901
	1,597,641	7,703,642	8,481,175	820,108

6. Credit facility

CANADEM has an available line of credit in the amount of \$500,000 (2021 - \$500,000), bearing interest at the bank prime rate plus 1.25% (2021 - bank prime rate plus 1.25%) and secured by a general security agreement. As at March 31, 2022, an amount of \$Nil (2021 - \$Nil) was outstanding on the line of credit.

7. Capital management

CANADEM defines capital as net assets. CANADEM manages its net assets in a way to meet its objectives to maintain funds for operating purposes and address any funding shortfalls in the future or fund new initiatives.

The purpose of the internally restricted net assets was for CANADEM to separately establish funds for the purposes of program funding. Internally restricted net assets are accumulated for the purposes as identified by the Board of Directors. During the year ended March 31, 2022, as approved by the Board of Directors, CANADEM moved from unrestricted net assets to internally restricted net assets an amount of \$105,822 (2021 - \$2,884,855).

The Operational Implementation Drawdown Fund was created to cover the deployment costs until they are reimbursed by funders. The Operational Emergency Reserve was created to provide instantly available funds to address and mitigate operational emergencies, particularly for field deployees. The Contingency Reserve was created to rapidly deal with non-operational contingencies. The Strategic Initiative Fund was created to finance the Organization's efforts to expand or diversify funding sources. These funds are not available for other purposes without approval of the Board of Directors.

CANADEM is not subject to any externally imposed requirements on capital.

8. Allocation of administrative salaries and benefits

Administrative salaries and benefits expenses totaling \$935,299 (2021 - \$915,899) have been allocated as follows:

	2022	2021
Administrative Expenses	325,674	284,463
FCDO - HEROS	246,776	292,005
Other Humanitarian Aid	188,634	131,163
GAC - Humanitarian Aid	95,285	96,330
GAC - Democracy Promotion	78,930	111,938
	935,299	915,899

9. Commitments

CANADEM is party to a lease agreement for its premises in Ottawa expiring November 2026. The estimated minimum annual payments for the lease over the next five years are as follows:

2023	94,409
2024	94,409
2025	94,409
2026	94,409
2027	62,939

10. Financial instruments

CANADEM as part of its operations carries a number of financial instruments. It is management's opinion that CANADEM is not exposed to significant interest, currency, credit, or liquidity risk arising from these financial instruments except as otherwise disclosed. There has been no change to the risk exposure from 2021.

Currency risk

The majority of CANADEM's transactions are in Canadian dollars. Currency risk results from CANADEM's revenues denominated in foreign currency which are primarily in Great British Pounds. As at March 31, 2022 CANADEM is exposed to currency risk due to cash and accounts receivable denominated in Great British Pounds totaling £284,892 (2021 - £446,984), U.S. dollars totaling \$1,038,161 USD (2021 - \$636,613 USD), and Norwegian Kroner totaling Nil kr (2021 - 125,194 kr).

As at March 31, 2022, with other variables unchanged, a 5% change in the U.S. Dollar and Great British Pound to Canadian Dollar exchange rate would impact the Company's excess of revenue over expenses by approximately \$88,250 (2021 - \$48,291).

To aid in managing the risk, included in most funding agreements is a contingency for 5% of the funding contribution amount which CANADEM is able to utilize if losses are incurred as a result of foreign currency exchange. CANADEM does not enter into arrangements to hedge its foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that CANADEM will encounter difficulty in meeting obligations associated with financial liabilities. The risk is limited given CANADEM's access to its line of credit.