

**Financial Statements**  
**Friends of Canadian Crossroads**  
**Foundation**  
Toronto, ON  
*March 31, 2011*

## Contents

Independent Auditors' Report.....	3 - 4
Statement of Financial Position.....	5
Statement of Operations.....	6
Statement of Changes in Net Assets.....	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9 - 12

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## Independent Auditors' Report

### **To the Members of Friends of Canadian Crossroads Foundation:**

We have audited the accompanying financial statements of Friends of Canadian Crossroads Foundation, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and 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 generally accepted accounting principles, 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 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 the Corporation'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 Corporation'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 qualified audit opinion.

continued...

## Independent Auditors' Report - continued

### Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations and the completeness of donations is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we are not able to determine whether any adjustments might be necessary to contributions, surplus, current assets and net assets.

### Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Friends of Canadian Crossroads Foundation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
June 10, 2011

  
Chartered Accountants, Licensed Public Accountants

## Friends of Canadian Crossroads Foundation

March 31, 2011

<b>Statement of Financial Position</b>	2011	2010
<b>Current Assets</b>		
Cash	\$ 2,033	\$ 1,901
Investments, Note 6	966,790	484,039
Accounts receivable	0	97
	968,823	486,037
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	801	0
Due to Crossroads, Note 7	5,045	1,600
	5,846	1,600
<b>Net Assets</b>		
Endowment Fund, Note 8	200,000	0
One World Fund, Note 8	762,977	0
Unrestricted net assets	0	484,437
	962,977	484,437
	968,823	486,037

### Approved by The Board

Jonathan Carlzon



Board Treasurer

Karen Takacs



Director

The notes on pages 9 through 12 form an integral part of these financial statements.

## Friends of Canadian Crossroads Foundation

Year ended March 31, 2011

<b>Statement of Operations</b>	2011	2010
<b>Revenues</b>		
Investment income	\$ 63,008	\$ 22,757
Restricted reserve contribution from Crossroads, Note 7	451,700	0
Other revenue	260	0
	<hr/>	<hr/>
	514,968	22,757
<b>Expenses</b>		
Donations, Note 7	35,500	18,200
Audit	800	800
Bank charges and other	128	126
	<hr/>	<hr/>
	36,428	19,126
	<hr/>	<hr/>
<b>Surplus</b>	478,540	3,631

## Friends of Canadian Crossroads Foundation

*Year ended March 31, 2011*

<b>Statement of Changes in Net Assets</b>	2011			2010	
	Internally Restricted One World Fund	Internally Restricted Endowment Fund	Unrestricted	Total	Total
Balance, beginning of year	\$ 0	\$ 0	\$ 484,437	\$ 484,437	\$ 480,806
Add (deduct)					
Surplus (deficit)	0	0	478,540	478,540	3,631
Inter-fund transfer, Note 8	762,977	200,000	(962,977)	0	0
<b><i>Balance March 31</i></b>	<b><i>762,977</i></b>	<b><i>200,000</i></b>	<b><i>0</i></b>	<b><i>962,977</i></b>	<b><i>484,437</i></b>

## Friends of Canadian Crossroads Foundation

Year ended March 31, 2011

<b>Statement of Cash Flows</b>	2011	2010
<b>Operating Activities</b>		
Cash receipts	\$ 63,365	\$ 22,758
Cash disbursements	(32,182)	(18,326)
<b>Net Cash Provided By Operating Activities</b>	31,183	4,432
<b>Financing and Investing Activities</b>		
Increase in investments	(482,751)	(4,558)
Restricted reserve contribution from Crossroads	451,700	0
<b>Cash Used In Financing and Investing Activities</b>	(31,051)	(4,558)
Net increase (decrease) in cash	132	(126)
Cash, beginning of year	1,901	2,027
<b>Cash, End Of Year</b>	2,033	1,901



**Notes to Financial Statements**

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**Note 1 Association with Canadian Crossroads International (FCCF)**

Friends of Canadian Crossroads Foundation is designated by Canada Revenue Agency as being associated with Canadian Crossroads International. FCCF is a separate charitable foundation that supports other registered charities and, in particular, Canadian Crossroads International. The Foundation is a registered charity within the meaning of the Income Tax Act.

**Note 2 Summary of Accounting Policies**

**Revenue Recognition**

Investment income includes interest from cash and fixed income investments, reinvested distributions from mutual funds and realized (and unrealized) gains and losses on investments. Revenue is recognized on an accrual basis.

**Investments**

Investments are designated and classified as held-for-trading financial assets. They are measured at fair value determined on the basis of market value.

The Foundation has elected to use the exemption provided by The Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations to not apply the following sections of the CICA Handbook: Section 3862, Financial Instruments- Disclosures, and Section 3863, Financial Instruments - Presentation, which would otherwise have been applied to the financial statements of the Corporation for the year ended March 31, 2011. The Foundation applies the requirements of Section 3861, Financial Instruments - Disclosure and Presentation.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events 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. Actual results could differ from these estimates.

**Note 3 Disbursement Quota**

The Foundation is required to spend 3.5% of investment property on charitable activities in the following year to maintain its charitable status. If charitable expenditures during a particular year exceed the required expenditure level, the excess can be carried forward for up to five years and counted as charitable expenditures in the future years. At March 31, 2011 the Foundation has \$20,174 in expenditure excess.

**Note 4      Recent Accounting Pronouncement**

New accounting standards for non-profit organizations are effective beginning January 1, 2012. The Foundation plans to implement these new standards. The Foundation is working to determine what impact, if any, the initial adoption of these standards will have on its financial statements. Significant changes are not anticipated.

**Note 5      Financial Instruments**

**Risk Management Policy**

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2011.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Foundation is subject to concentrations of credit risk through cash and its accounts receivable. The Foundation maintains substantially all of its cash at a single major Canadian Bank. The maximum credit risk is equivalent to the carrying value. It is the opinion of management that the Foundation is not exposed to significant credit risks.

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant. The methods and assumptions management uses when accessing market risks have not changed substantially, with the exception of adding equity mutual funds to its investment portfolio, from the prior period and are summarized below:

**(i) Interest Rate Risk**

The Foundation does not have any interest bearing investments. It is the opinion of management that the Foundation is not exposed to any significant interest rate risks.

**(ii) Foreign Currency Risk**

The Foundation's functional currency is the Canadian Dollar. It is the opinion of management that the Foundation is not exposed to any significant foreign currency risk.

**(iii) Commodity Price Risk**

The Foundation is subject to normal price risk associated with consumer products.

## Friends of Canadian Crossroads Foundation

March 31, 2011

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### Note 5 Financial Instruments - continued

#### (iv) Equity Price Risk

The Foundation maintains a portion of investments in pooled mutual funds and as a result is subject to price risk associated with fluctuations in the market price for these investments. Based on the Foundation's risk tolerance, an asset allocation model was developed and implemented for investments, including equity investments.

#### Fair Value

The fair values of cash, accounts receivable and accounts payable are approximately equal to their carrying value due to their short term nature.

The fair values of investments are approximately equal to their carrying value as they are recorded at their quoted market value.

### Note 6 Investments

Pooled fixed income funds	\$	773,511	\$	484,039
Pooled equity funds		193,279		0
		<u>966,790</u>		<u>484,039</u>

### Note 7 Related Party Transactions

The Foundation is related to Canadian Crossroads International (Crossroads), an associated charitable organization, by virtue of a shared board of directors. During the year the Foundation donated funds to Crossroads in the amount of \$35,500. The Foundation also received a restricted reserve contribution of \$451,700 from Crossroads as a means of amassing all restricted funds, separate from Crossroads' ongoing operations. Crossroads also pays for expenditures incurred by the foundation. These transactions are in the normal course of operations and are measured at the carrying value. As of March 31, 2011, the foundation owes Crossroads \$5,045 related to expenditures incurred.

### Note 8 Restrictions on Net Assets

The One World Fund is internally restricted by the Board of Directors. This fund was created to increase the impact of Crossroads programming and leverage additional funding and/or provide opportunities for future revenue generation.

The Endowment Fund is internally restricted by the Board of Directors. This fund was created to support Crossroads in fulfilling its mission and mandate.

During the year the an interfund transfer from unrestricted surplus was made to setup the above funds.

## Friends of Canadian Crossroads Foundation

March 31, 2011

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### Note 9 Capital Management

The Foundation's objectives when managing capital are:

- (a) to safeguard its ability to continue as a going concern; and
- (b) to ensure that enough funds are available to perform all necessary programme activities.

The above objectives are considered in the preparation of its annual budget and in monitoring of cash flows and actual operating results compared to the budget.

Funds are secured through obtaining grants from various organizations and by soliciting donations.

Capital is described as follows:

	2011	2010
Endowment Fund	\$ 200,000	\$ 0
One World Fund	762,977	0
Unrestricted	0	484,437
Net assets	<u>962,977</u>	<u>484,437</u>

The accumulated surplus must be expended in accordance with Canada Revenue Agency guidelines for charities.

As of the audit report date the Foundation was in compliance with all of its externally imposed restrictions.