

Financial Statements of

OXFAM CANADA

And Independent Auditors' Report thereon

Year ended March 31, 2020

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Directors of Oxfam Canada

Opinion

We have audited the financial statements of Oxfam Canada ("Oxfam"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of Oxfam as at March 31, 2020, and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Oxfam in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Oxfam'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 Oxfam or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Oxfam'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 Oxfam's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Oxfam 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.
- 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.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

(date)

OXFAM CANADA

Statement of Financial Position

March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 14,210,366 | \$ 9,767,809 |
| Accounts receivable | 1,667,769 | 1,079,024 |
| Advances to partners | 3,020,918 | 2,259,816 |
| Prepaid expenses | 165,691 | 129,032 |
| | <u>19,064,744</u> | <u>13,235,681</u> |
| Tangible capital and intangible assets (note 2) | 3,536,411 | 3,721,492 |
| | <u>\$ 22,601,155</u> | <u>\$ 16,957,173</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 3) | \$ 2,442,038 | \$ 1,695,242 |
| Deferred revenue (note 4) | 11,720,681 | 8,750,197 |
| Current portion of long-term debt (note 5) | 127,600 | 124,538 |
| | <u>14,290,319</u> | <u>10,569,977</u> |
| Long-term debt (note 5) | 346,474 | 473,583 |
| Net assets (note 6): | | |
| Unrestricted | 942,025 | 2,790,242 |
| Invested in tangible capital and intangible assets | 3,062,337 | 3,123,371 |
| Internally restricted | 3,960,000 | — |
| | <u>7,964,362</u> | <u>5,913,613</u> |
| Commitments (note 7) | | |
| Contingencies (note 8) | | |
| Impact of COVID-19 (note 12) | | |
| | <u>\$ 22,601,155</u> | <u>\$ 16,957,173</u> |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

OXFAM CANADA

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---------------------------------|---------------------|---------------------|
| Revenue: | | |
| Donations | \$ 7,325,983 | \$ 6,831,722 |
| Bequests | 2,842,444 | 2,244,228 |
| Grants and contributions: | | |
| Government of Canada | 16,360,832 | 11,571,114 |
| Non-government organizations | 2,169,330 | 2,349,944 |
| Other Oxfam | 2,643,818 | 1,721,367 |
| Other governments | 26,797 | – |
| Interest | 166,767 | 129,833 |
| Miscellaneous income | 78,286 | 146,388 |
| Foreign exchange gain (loss) | (13,067) | 14,267 |
| | <u>31,601,190</u> | <u>25,008,863</u> |
| Expenses: | | |
| Operating: | | |
| Overseas projects | 21,721,798 | 15,686,768 |
| Overseas project management | 565,629 | 441,590 |
| Education and public affairs | 1,421,223 | 1,926,646 |
| Program support: | | |
| Administration | 2,388,110 | 2,209,397 |
| Fundraising | 3,453,681 | 3,364,666 |
| | <u>29,550,441</u> | <u>23,629,067</u> |
| Excess of revenue over expenses | <u>\$ 2,050,749</u> | <u>\$ 1,379,796</u> |

See accompanying notes to financial statements.

OXFAM CANADA

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

| | Internally restricted | Invested in tangible capital and intangible assets | Unrestricted | 2020 | 2019 |
|---|--------------------------|---|--------------|--------------|--------------|
| Net assets, beginning of year | \$ – | \$ 3,123,371 | \$ 2,790,242 | \$ 5,913,613 | \$ 4,533,817 |
| Excess of revenue over expenses | – | – | 2,050,749 | 2,050,749 | 1,379,796 |
| Additions to tangible capital and intangible assets | – | 49,384 | (49,384) | – | – |
| Amortization of tangible capital and intangible assets | – | (234,465) | 234,465 | – | – |
| Principal repayments of long-term debt | – | 124,047 | (124,047) | – | – |
| Transfer to internally restricted | 3,960,000 | – | (3,960,000) | – | – |
| Net assets, end of year | \$ 3,960,000 | \$ 3,062,337 | \$ 942,025 | \$ 7,964,362 | \$ 5,913,613 |

See accompanying notes to financial statements.

OXFAM CANADA

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|---------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 2,050,749 | \$ 1,379,796 |
| Item not involving cash: | | |
| Amortization of tangible capital and intangible assets | 234,465 | 245,540 |
| Change in non-cash operating working capital: | | |
| Increase in accounts receivable | (588,745) | (441,783) |
| Decrease (increase) in advances to partners | (761,102) | 83,891 |
| Increase in prepaid expenses | (36,659) | (41,030) |
| Increase (decrease) in accounts payable and accrued liabilities | 746,796 | (380,667) |
| Increase in deferred revenue | 2,970,484 | 123,861 |
| | 4,615,988 | 969,608 |
| Financing activities: | | |
| Principal repayments of long-term debt | (124,047) | (120,769) |
| Capital activities: | | |
| Acquisition of tangible capital and intangible assets | (49,384) | (221,258) |
| Increase in cash | 4,442,557 | 627,581 |
| Cash, beginning of year | 9,767,809 | 9,140,228 |
| Cash, end of year | \$ 14,210,366 | \$ 9,767,809 |

Interest paid during the year was \$11,363 (2019 - \$14,799).

See accompanying notes to financial statements.

OXFAM CANADA

Notes to Financial Statements

Year ended March 31, 2020

Oxfam Canada ("Oxfam") is an international development agency working through Oxfam International and partner organizations in Africa, South Asia and the Americas to tackle the root causes of poverty, injustice and inequality. Oxfam is incorporated without share capital. Oxfam was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in April 2013. As a registered charity, Oxfam is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act (Canada).

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

These financial statements include the assets and liabilities of Oxfam's Canadian operations and the two overseas Country Offices for which it has responsibility and the revenue and expenses for which Oxfam and its two overseas Country Offices enter into contracts with donors for the funding of projects in various countries.

(b) Revenue recognition:

Oxfam follows the deferral method of accounting for contributions for not-for-profit organizations.

Restricted contributions are recorded as deferred revenue and subsequently transferred to revenue when such funds are utilized in accordance with the donor restrictions.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Advances to partners:

Oxfam's approach to development involves working with a large number of local partners. Oxfam, via agreements with funders, provides funding, support and monitoring to its partners. Funds disbursed to partners as advances are recorded on the statement of financial position as advances to partners until the partner submits a financial report to Oxfam, as required by the agreements. The disbursed funds are recorded as expenses and corresponding revenue is recognized in the period that the financial report is received.

(d) Tangible capital and intangible assets:

Tangible capital and intangible assets acquired for direct use in projects are expensed in the year of acquisition. Those that are not project specific are capitalized and amortized over their estimated useful lives.

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Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(d) Tangible capital and intangible assets (continued):

Tangible capital and intangible assets are stated at cost. Amortization is computed using the following methods and rates:

| Asset | Basis | Rate |
|-------------------------------|-------------------|------|
| Tangible capital assets: | | |
| Building | Declining-balance | 5% |
| Furniture and equipment | Declining-balance | 20% |
| Computer equipment | Declining-balance | 30% |
| Intangible assets: | | |
| Management information system | Declining-balance | 20% |
| Computer software | Declining-balance | 30% |

In the year of acquisition, purchases are amortized at one-half of the normal annual rate.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Oxfam has not elected to subsequently carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Oxfam determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Oxfam expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

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Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(f) Government of Canada and other contributions:

Oxfam enters into contracts with the Government of Canada (mainly Global Affairs Canada - "GAC", formerly known as the Department of Foreign Affairs, Trade and Development - "DFATD") and other donors for the funding of projects in various countries. In accordance with the revenue recognition policy, these funds are recorded as revenue in the statement of revenue and expenses as related expenses are incurred. Any indirect cost recovery, management fee or procurement fee that is applicable to Oxfam is recorded as revenue in the statement of revenue and expenses in accordance with the terms in the individual contracts.

Contributions received in excess of donors' share of funds expended in the current year for project activities represent unspent externally restricted contributions for expenditures in future years, and are shown in the statement of financial position as deferred revenue. Any contributions expended in excess of the contributions received from the donors are recorded as accounts receivable.

(g) Expense allocation:

Oxfam classifies expenses in the statement of revenue and expenses by function. Expenses are recognized in the year they are incurred and are recorded to operating or program support to which they are directly related. Oxfam does not allocate expenses between operating and program support after initial recognition.

(h) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the date of transaction. Foreign currency monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. Foreign currency non-monetary assets are translated into Canadian dollars at exchange rates in effect at the time of acquisition. Any resulting foreign exchange gains or losses are included in the statement of operations.

(i) Contributed services:

Volunteers contribute significant time per year to assist Oxfam in carrying out its service delivery activities. These contributed services are not recognized in the financial statements because of the difficulty associated with measurement.

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Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the 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 revenue and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

2. Tangible capital and intangible assets:

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|----------------------------------|--------------|-----------------------------|---------------------------|---------------------------|
| Tangible assets: | | | | |
| Land | \$ 450,000 | \$ — | \$ 450,000 | \$ 450,000 |
| Building | 4,042,661 | 1,392,789 | 2,649,872 | 2,755,376 |
| Furniture and equipment | 554,679 | 408,753 | 145,926 | 142,804 |
| Computer equipment | 1,486,779 | 1,368,690 | 118,089 | 157,316 |
| Intangible assets: | | | | |
| Management information system | 1,195,224 | 1,024,631 | 170,593 | 213,241 |
| Computer software | 71,618 | 69,687 | 1,931 | 2,755 |
| | \$ 7,800,961 | \$ 4,264,550 | \$ 3,536,411 | \$ 3,721,492 |

Cost and accumulated amortization at March 31, 2019 amounted to \$7,751,577 and \$4,030,085, respectively.

3. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

| | 2020 | 2019 |
|------------------------|--------------|--------------|
| Trade accounts payable | \$ 1,973,027 | \$ 915,685 |
| Payroll-related costs | 163,655 | 249,408 |
| Other accruals | 305,357 | 530,149 |
| | \$ 2,442,039 | \$ 1,695,242 |

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Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Deferred revenue:

Deferred revenue represents unspent resources that have been externally restricted. Changes in deferred revenue are as follows:

| | 2020 | 2019 |
|--|---------------|--------------|
| Balance, beginning of year | \$ 8,750,197 | \$ 8,626,336 |
| Add amounts received in the year or included as receivable at year end | 24,913,093 | 16,035,343 |
| Less amounts recognized as revenue in the year | (21,942,609) | (15,911,482) |
| Balance, end of year | \$ 11,720,681 | \$ 8,750,197 |

5. Long-term debt:

To finance its building, Oxfam has entered into a term loan secured by the land and building and a general security agreement at a fixed interest rate that is negotiated on an annual basis. The current interest rate of 2.74% is in effect until October 15, 2021.

The expected principal repayments of long-term debt for each of the four years subsequent to March 31, 2020 are as follows:

| | |
|------|------------|
| 2021 | \$ 127,600 |
| 2022 | 131,130 |
| 2023 | 134,759 |
| 2024 | 80,585 |
| | \$ 474,074 |

6. Net assets:

Oxfam considers its capital to consist of its net assets invested in tangible capital and intangible assets, internally restricted net assets and unrestricted net assets.

Oxfam's objective with respect to capital is to fund its tangible capital and intangible assets and to have funds available for future projects and ongoing operations. Oxfam manages its capital by transferring unrestricted net assets to internally restricted net assets for specific projects and a contingency reserve for project funding continuity as described below.

Oxfam is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2019.

OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

6. Net assets (continued):

Internally restricted net assets:

The Board of Directors has revised the contingency reserve policy as of February 2020 to ensure the short-term continuity of business operations and fund encumbrances such as committed partner advances, and to invest in infrastructure and strategic initiatives. Per the reserve policy, three reserve funds have been established as follows:

Operating Reserve: this reserve will fund business operations in the event of a significant decline in revenues or other unforeseen circumstances. The target level of this reserve is \$3,000,000.

Building Reserve: once the Operating Reserve level has been met, this reserve level has been established of \$460,000 to fund major capital projects as required.

Strategic Reserve: once both the Operating and Building Reserve target levels have been met, this reserve's target level of \$500,000 will fund Oxfam's own campaigns and programs as determined by the Board.

Disbursements from these reserves require the approval of the Board of Directors. As of March 31, 2020, each reserve is fully funded.

7. Commitments:

Oxfam rents premises under operating leases of varying terms. The minimum annual rental payments are as follows:

| | | |
|------|----|-------|
| 2021 | \$ | 3,732 |
| 2022 | | 3,732 |
| 2023 | | 933 |
| | \$ | 8,397 |

In addition to the minimum annual rental payments above, Oxfam is also responsible for operating and other related costs for its premises.

8. Donor advised fund:

Oxfam is the beneficiary of the Oxfam Canada Fund (the "Fund"), administered and controlled by Vancouver Foundation. In the year, Oxfam received contributions of \$Nil (2019 - \$134,631) from the Fund. At March 31, 2020, the Fund balance was \$112,644 (2019 - \$114,830).

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Notes to Financial Statements (continued)

Year ended March 31, 2020

9. Contingencies:

As stated in note 1(f), GAC and certain other contributions are subject to conditions regarding the expenditures of the funds. Oxfam's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by the GAC and other funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

10. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Oxfam is exposed to credit risk with respect to the accounts receivable and advances to partners. Oxfam assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. No allowance has been made in the current or prior year.

(b) Liquidity risk:

Liquidity risk is the risk that Oxfam will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Oxfam manages its liquidity risk by monitoring its operating requirements. Oxfam prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Oxfam is exposed to this risk mainly in respect of its long-term debt.

(c) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign currency, interest rate and other price risk.

(i) Foreign currency risk:

Oxfam operates internationally, giving rise to exposure to financial risks as a result of exchange rate fluctuations and the volatility of these rates.

Cash at March 31, 2020 includes amounts held in foreign currencies as follows, and presented in Canadian dollars:

| | |
|-----------------------|--------------|
| United States Dollars | \$ 2,327,743 |
| Euro | 349,609 |

OXFAM CANADA

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Financial risks and concentration of credit risk (continued):

(c) Market risk (continued):

(ii) Interest rate risk:

Oxfam is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the long-term debt are included in note 5.

(iii) Other price risk:

Oxfam believes it is not subject to significant other price risk.

11. Comparative information:

Certain comparative information has been reclassified to confirm to the financial statement presentation adopted for the current year.

12. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, Oxfam implemented the following actions in relation to COVID-19:

- the office has been closed until further notice, and all employees are working from home; and
- suspended all domestic and international travel and in-person meetings.

As a result of these actions, Oxfam is experiencing decreases in recognition of program revenues and related costs subsequent to year end.

(a) Subsequent events related to COVID-19:

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditor's report that provide additional evidence relating to conditions that existed as at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements.

(b) Impact of COVID-19 on financial risks:

The ultimate duration and magnitude of COVID-19's impact on Oxfam's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on Oxfam is not practicable at this time.