

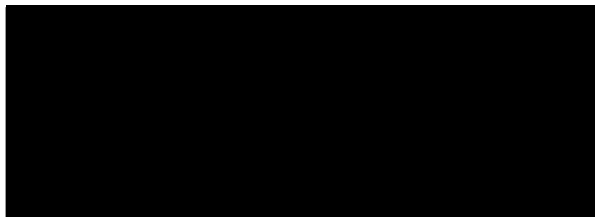


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THE NATO ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE POUR L'OTAN
(FORMERLY LE CONSEIL ATLANTIQUE DU CANADA - ATLANTIC COUNCIL OF CANADA)

FINANCIAL STATEMENTS

DECEMBER 31, 2016



NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
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FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors of the NATO Association of Canada – Association Canadienne pour POTAN

We have audited the accompanying financial statements of the NATO Association of Canada – ~~Association Canadienne pour POTAN, which comprise the statement of financial~~ position as at December 31, 2016, the statement of operations and change 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. These 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 judgement, including the assessment of the risks of material misstatement of the financial statements, ~~whether due to fraud or error~~. In making those assessments, the auditor considers internal control relevant to the 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 obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

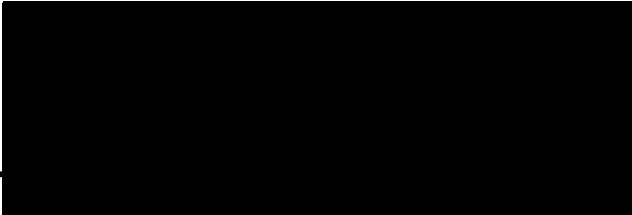
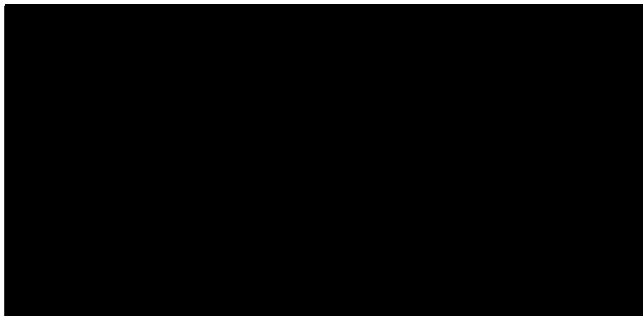
Basis for Qualified Opinion

In common with many not-for-profit organizations, the NATO Association of Canada – Association Canadienne pour l’OTAN derives revenue from donations and member fees, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the NATO Association of Canada – Association Canadienne pour l’OTAN. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2016, and financial position and net assets as at December 31, 2016.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the NATO Association of Canada – Association Canadienne pour l’OTAN as at December 31, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

, Canada
October 23, 2017



NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
 STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2016

	2016	2015
	\$	\$
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents (Note 3)	47,764	22,915
Term deposits	12,183	11,942
Accounts receivable	32,100	18,651
Government taxes refundable	25,059	8,667
Inventory	3,151	2,997
	<u>120,257</u>	<u>65,172</u>
Capital assets (Note 4)	<u>7,660</u>	<u>12,032</u>
	<u><u>127,917</u></u>	<u><u>77,204</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable (Note 7)	111,568	74,406
Current portion of capital lease (Note 5)	1,669	2,113
	<u>113,237</u>	<u>76,519</u>
Capital lease payable (Note 5)	<u>5,424</u>	<u>8,979</u>
Net assets		
Invested in capital assets (Note 6)	567	940
Unrestricted	683	(16,890)
ACC trust (Note 8)	8,006	7,656
	<u>9,256</u>	<u>(8,294)</u>
	<u><u>127,917</u></u>	<u><u>77,204</u></u>

The attached notes to the financial statements are an integral part of these statements

Approved:

_____ Director

_____ Director

NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
 STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	\$	\$
Receipts		
Programs		
Canadian Business Councils (Turkish & Albanian)	32,509	30,598
Events, conferences and meetings	116,568	25,669
Intern program	8,400	-
	<u>157,477</u>	<u>56,267</u>
General		
Member fees and donations (Note 9)	247,561	73,150
Sundry and interest revenue	241	375
	<u>247,802</u>	<u>73,525</u>
	<u>405,279</u>	<u>129,792</u>
Expenditures		
Programs		
Canadian Business Councils (Turkish & Albanian)	25,915	26,286
Events, conferences and meetings	246,174	20,210
Travel - YATA & ATA	39,557	9,877
	<u>311,646</u>	<u>56,373</u>
General membership and administration		
Communications	8,284	6,978
Operating expenses	29,344	24,071
Staffing services	34,457	34,444
	<u>72,085</u>	<u>65,493</u>
Atlantic Treaty Association		
Association fees	3,998	6,720
	<u>387,729</u>	<u>128,586</u>
Excess of receipts over expenditures	<u><u>17,550</u></u>	<u><u>1,206</u></u>

The attached notes to the financial statements are an integral part of these statements

NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Invested in Capital Assets \$	Unrestricted \$	ACC Trust \$	2016 Net Assets \$	2015 Net Assets \$
Balance, beginning of the year	940	(16,890)	7,656	(8,294)	(9,500)
Excess (deficiency) of receipts over expenditures	(1,931)	19,481	-	17,550	1,206
Purchase of capital assets	(2,441)	2,441	-	-	-
Financed by capital lease	3,999	(3,999)	-	-	-
Inter-fund transfer	-	(350)	350	-	-
Balance, end of the year	<u>567</u>	<u>683</u>	<u>8,006</u>	<u>9,256</u>	<u>(8,294)</u>

The attached notes to the financial statements are an integral part of these statements

NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 \$	2015 \$
Cash flows from operations		
Excess of receipts over expenditures	17,550	1,206
Non-cash items:		
Depreciation	1,931	125
Change in non-cash working capital:		
Accounts receivable	(13,449)	5,207
Government taxes refundable	(16,392)	(94)
Inventory	(154)	1,081
Accounts payable	37,162	6,075
	<u>26,648</u>	<u>13,600</u>
Cash flows from financing activities		
Capital lease, net of repayments	<u>(3,999)</u>	<u>11,092</u>
Cash flows from investing activities		
Purchase of capital assets	<u>2,441</u>	<u>(11,620)</u>
Net increase in cash and cash equivalents	25,090	13,072
Cash and cash equivalents, beginning of the year	<u>34,857</u>	<u>21,785</u>
Cash and cash equivalents, end of the year	<u><u>59,947</u></u>	<u><u>34,857</u></u>
Cash and cash equivalents consist of:		
Cash	47,764	22,915
Term deposits	12,183	11,942
	<u>59,947</u>	<u>34,857</u>

The attached notes to the financial statements are an integral part of these statements

NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Status and Nature of Activities

The NATO Association of Canada (the "Association") is incorporated as a not-for-profit organization under the laws of Canada without share capital and is a registered charity under the Income Tax Act. Its purpose is to create greater awareness of NATO in Canada and of Canada's role in NATO.

2. Significant Accounting Policies

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

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Conference revenues are recognized in the year the conference occurs.

Inventory

Inventory includes various promotional items and is measured at the lower of cost and replacement value. Cost is determined using the first-in first-out method.

Capital assets

All capital assets are carried at cost. Depreciation is recorded over the useful life of the assets at the following annual rates.

Computer hardware	- 30% diminishing balance
Computer software	- 100% diminishing balance
Furniture and fixtures	- 20% diminishing balance

Financial instruments

The Association initially measures its financial assets and financial liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and government taxes refundable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

2. Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimate and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the year then ended. Actual results may differ from those estimates. Balances for which estimates were used are capital assets (depreciation) and accrued liabilities.

Contributed services

The Association would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

Cash and cash equivalents

The Association's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

3. Internal Restrictions

Included in the cash and cash equivalents balance is \$8,006 (2015 - \$7,656) held in trust. The Association may not use these restricted amounts for any other purpose without the approval of the ACC Trust board of directors.

4. Capital Assets

	Cost	Accumulated Depreciation	2016 Net Book Value	2015 Net Book Value
	\$	\$	\$	\$
Computer hardware	17,840	17,752	88	126
Furniture and fixtures	11,549	3,977	7,572	11,906
	<u>29,389</u>	<u>21,729</u>	<u>7,660</u>	<u>12,032</u>

NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

5. Capital Lease Payable

	2016	2015
	\$	\$
██████████ payable in quarterly instalments of \$508 plus HST, due March 2021, secured by equipment	7,093	11,092
Less: current portion:	<u>(1,669)</u>	<u>(2,113)</u>
	<u>5,424</u>	<u>8,979</u>

Capital lease payments to be made over the next five years are the following:

	\$
2017	1,669
2018	1,669
2019	1,669
2020	1,669
2021	417

6. Invested in Capital Assets

a) Invested in capital assets is calculated as follows:

	2016	2015
	\$	\$
Capital assets	7,660	12,032
Amounts financed by capital lease	<u>(7,093)</u>	<u>(11,092)</u>
	<u>567</u>	<u>940</u>

b) The change in invested in capital assets is calculated as follows:

	2016	2015
	\$	\$
Purchase of capital assets	(2,441)	11,620
Depreciation of capital assets	(1,931)	(125)
Financing of capital assets	<u>3,999</u>	<u>(11,092)</u>
	<u>(373)</u>	<u>403</u>

NATO ASSOCIATION OF CANADA - ASSOCIATION CANADIENNE POUR L'OTAN
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

7. Related Party Transactions

The Association paid a director \$18,709 for executive services during the year (2015 - \$18,000). At year end, there was \$28,815 (2015 - \$35,595) owing to the director for executive services. Arrangements have been made to pay the outstanding balance over the next two years.

The Association received member fees and donations totaling \$92,180 from directors (2015 - \$40,650).

All these transactions were carried out in the normal course of operations and are recorded at the exchange value. This value corresponds to the consideration agreed upon by the parties and is determined based on the costs incurred.

8. ACC Trust

The establishment of the ACC Trust was approved by the Board of Directors in June 2012. The purpose of the trust is to provide consistent support for the activities of the NATO Association of Canada. Up to 30% of donations may be used by the NATO Association of Canada for operational services, in the year that the donation is received.

9. Member Fees and Donations

Member fees and donations received in the year are as follows:

	2016	2015
	\$	\$
Corporate	7,650	1,150
Director	92,180	40,650
Foundations	57,750	5,000
Individuals, students and charities	89,981	26,350
	<u>247,561</u>	<u>73,150</u>

10. Financial Instruments

The Association is exposed to various risks through its financial instruments. The following analysis presents the Association's exposures to significant risk at December 31, 2016.

Credit risk

The Association is subject to credit risk with respect to term deposits, receivables and government taxes refundable. The Association assesses, on a continuous basis, receivables and government taxes refundable on the basis of amounts it is virtually certain to receive. The credit risk with respect to term deposits is insignificant since they are held in large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. It is management's opinion that the Association is not exposed to significant liquidity risks arising from its financial instruments.