

Review Engagement Report

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To the members of
Embroiderers' Association of Canada Inc.

We have reviewed the statement of financial position of the Embroiderers' Association of Canada Inc. as at August 31, 2017, and the statement of revenue and expenditures, changes in fund balances and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Association.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Victoria, Canada
February 11, 2018

Grant Thornton LLP
Chartered Professional Accountants

Embroiderers' Association of Canada Inc.

Statement of Revenue and Expenditures

(Unaudited)

Year ended August 31

			2017	2016
	General Fund	EAC Future Fund	Total	Total
Revenue				
Advertising	\$ 637	\$ -	\$ 637	\$ 985
Course fees	14,739	-	14,739	4,322
Donations	1,109	-	1,109	1,365
Interest	853	793	1,646	1,940
Membership fees	59,692	-	59,692	60,455
Seminar profits	9,209	-	9,209	5,909
Sundry	370	-	370	1,031
	<u>86,609</u>	<u>793</u>	<u>87,402</u>	<u>76,007</u>
Expenditures				
Bank charges	1,583	-	1,583	1,500
Correspondence courses	11,461	300	11,761	5,442
Embroidery Canada	34,845	-	34,845	34,971
Insurance	3,499	-	3,499	2,802
Professional fees	3,931	-	3,931	2,768
Meetings	1,042	-	1,042	2,780
EAC programmes	5,141	194	5,335	6,983
Stationery, postage and communications	3,128	1,145	4,273	6,999
Sundry	438	447	885	2,491
Travel and accommodation	12,059	685	12,744	13,004
	<u>77,127</u>	<u>2,771</u>	<u>79,898</u>	<u>79,740</u>
Excess (deficiency) of revenue over expenditures	\$ 9,482	\$ (1,978)	\$ 7,504	\$ (3,733)

See accompanying notes to the financial statements.

Embroiderers' Association of Canada Inc.

Statement of Changes in Fund Balances

(Unaudited)

Year ended August 31

	2017			2016	
	General Fund	EAC Future Fund	Total	Total	
Fund balances, beginning	\$ 136,946	\$ 80,611	\$ 217,557	\$ 221,290	
Interfund transfer (Note 3)	(2,340)	2,340	-	-	
Excess (deficiency) of revenue over expenditures	<u>9,482</u>	<u>(1,978)</u>	<u>7,504</u>	<u>(3,733)</u>	
Fund balances, end of year	\$ <u>144,088</u>	\$ <u>80,973</u>	\$ <u>225,061</u>	\$ <u>217,557</u>	

See accompanying notes to the financial statements.

Embroiderers' Association of Canada Inc.

Statement of Financial Position

(Unaudited)
August 31

			2017	2016
	General Fund	EAC Future Fund	Total	Total
Assets				
Current				
Cash and cash equivalents	\$ 30,319	\$ 6,508	\$ 36,827	\$ 60,299
Investments	83,185	-	83,185	83,185
Accrued interest receivable	2,651	1,136	3,787	2,141
Sales tax receivable	10,287	-	10,287	4,368
Inventory	991	-	991	1,257
Prepays	6,924	-	6,924	7,308
Seminar advances	10,000	-	10,000	10,000
	144,357	7,644	152,001	168,558
Seminar advances (Note 4)	20,000	-	20,000	10,000
Investments	-	65,681	65,681	65,681
Capital assets Library (Note 2)	23,771	-	23,771	23,771
Interfund balance (Note 5)	-	8,346	8,346	6,458
	\$ 188,128	\$ 81,671	\$ 269,799	\$ 274,468
Liabilities				
Current				
Payables and accruals	\$ 3,214	\$ 698	\$ 3,912	\$ 17,575
Deferred revenue	32,480	-	32,480	32,878
	35,694	698	36,392	50,453
Interfund balance (Note 5)	8,346	-	8,346	6,458
	44,040	698	44,738	56,911
Fund Balances				
Internally restricted	10,400	80,973	91,373	93,260
Unrestricted	133,688	-	133,688	124,297
	144,088	80,973	225,061	217,557
	\$ 188,128	\$ 81,671	\$ 269,799	\$ 274,468

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Embroiderers' Association of Canada Inc.

Statement of Cash Flows

(Unaudited)

Year ended August 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating activities

Excess (deficiency) of revenue over expenditures	\$	7,504	\$	(3,733)
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Changes in non-cash operating working capital

Accounts receivable	-	(1)
Accrued interest receivable	(1,646)	(65)
Sales tax receivable	(5,919)	(2,155)
Inventory	266	(8)
Prepays	384	2,021
Seminar advances	(10,000)	221
Payables and accruals	(13,663)	12,713
Deferred revenue	(398)	191

	<u>(23,472)</u>	<u>9,184</u>
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Investing activities

Purchase of investments, net of proceeds	<u>-</u>	<u>(810)</u>
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	<u>-</u>	<u>(810)</u>
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Net (decrease) increase in cash and cash equivalents	(23,472)	8,374
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Cash and cash equivalents, beginning of year	<u>60,299</u>	<u>51,925</u>
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Cash and cash equivalents, end of year	\$ <u>36,827</u>	\$ <u>60,299</u>
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See accompanying notes to the financial statements.

Embroiderers' Association of Canada Inc.

Notes to the Financial Statements

(Unaudited)
August 31, 2017

1. Status and nature of operations

The Association is incorporated under the laws of Canada without share capital. The purpose of the Association is to promote awareness and education of embroidery.

The Association is classified as a not-for-profit organization under the Income Tax Act and is a registered charity. As a result, it is not required to pay income taxes.

These financial statements pertain solely to the Association and do not include the operation of Branch Chapters.

2. Significant accounting policies

Basis of presentation

The Association has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Fund accounting

Revenue and expenditures related to program delivery and administrative activities are recorded in the General Fund.

The EAC Future Fund is a separate fund set aside for future development. Donations specifically bequested to the fund are allocated to the fund on a yearly basis.

Revenue recognition

The Association follows the deferral method of accounting for contributions.

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

Membership, course and advertising revenue received in advance is deferred and recognized as revenue in the period to which it relates.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenditures are incurred.

Investment income is recognized in each respective fund when earned.

Cash and cash equivalents

Cash and cash equivalents includes balances with banks and highly liquid investments maturing within three months from the date of acquisition.

Embroiderers' Association of Canada Inc.

Notes to the Financial Statements

(Unaudited)
August 31, 2017

2. Significant accounting policies (continued)

Investments

Investments are guaranteed investment certificates which are recorded at the lower of cost and market value. Investments maturing within the next fiscal year are recorded as current assets.

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Library

Books and slides are recorded at cost, being actual cost or the fair market value at the time the items were purchased or donated. No amortization is recorded on the library.

Contributed services

Volunteers contribute time to assist the Association in carrying out its charitable activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Financial instruments

The Association's financial instruments include cash and cash equivalents, investments, accounts and accrued interest receivable and payables and accruals.

The Association initially measures its financial instruments at fair value. The Association subsequently measures all of its financial instruments at amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from financial instruments.

Embroiderers' Association of Canada Inc.

Notes to the Financial Statements

(Unaudited)
August 31, 2017

3. Transfer to the EAC Future Fund

The Board of Directors approved transfers of 10% of the 2017 seminar profit of \$921 (2016: \$591) to the EAC Future Fund from the General Fund, and a transfer of \$1 per association member or \$1,419 (2016: \$1,437) to the EAC Future Fund from the General Fund.

4. Seminar advances

The Association advanced \$20,000 in funds to a member organization for the annual EAC seminar that takes place in fiscal 2018 and fiscal 2019, which is when the funds are expected to be repaid, and has therefore presented these advanced funds as long term.

5. Interfund balance

The General Fund has a balance owing to the EAC Future Fund in the amount of \$8,346 (2016: \$6,458) representing the remaining transfer balance as disclosed in Note 3.

6. Risk management

In the normal course of business, the Association is exposed to credit risk, liquidity risk and market risk. The Association's primary risk management objective is to protect earnings and cash flow, and ultimately the net assets. Risks are managed within limits established by the Association's Board of Directors and implemented by management. These risks and actions taken to manage them are as follows:

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Association's main interest rate exposure relates to the guaranteed investment certificates.

Credit risk

The Association is exposed to the risk that a counterparty defaults or becomes insolvent. The only financial instrument that potentially subjects the Association to concentrations of credit risk is its accounts receivables. Management believes that the Association does not have a significant credit risk on its receivables.

Liquidity risk

Liquidity risk is the risk that the Association cannot meet a demand for cash or fund its obligations as they come due. The Association's liabilities are due to be paid in full before August 31, 2018.
