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**THE BHUTAN CANADA FOUNDATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of The Bhutan Canada Foundation

We have audited the accompanying financial statements of The Bhutan Canada Foundation, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and deficit 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 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.

### **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 auditors' 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 auditors consider 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 obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## **INDEPENDENT AUDITORS' REPORT**

(continued)

### **Basis for Qualified Opinion**

In common with many charitable organizations, The Bhutan Canada Foundation derives revenue from donations and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenue was limited to the amounts recorded in the records of The Bhutan Canada Foundation, and we were not able to determine whether any adjustments might be necessary to revenue, excess/deficit of revenue over expenses and net assets.

### **Qualified Opinion**

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Bhutan Canada Foundation as at December 31, 2016, 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.

**BAZAR MCBEAN LLP**

Oakville, Ontario  
DATE

Chartered Professional Accountants  
Licensed Public Accountants

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**THE BHUTAN CANADA FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**

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DECEMBER 31,	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 14,747	\$ 11,837
Prepaid expenses - note 2	11,706	945
	<b>\$ 26,453</b>	<b>\$ 12,782</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 5,005	\$ 5,541
Deferred revenue - note 2	47,449	-
Deposits - note 3	4,789	8,141
Due to 2170616 Ontario Inc. - note 4	89,659	21,507
	<b>146,902</b>	<b>35,189</b>
<b>NET ASSETS</b>		
<b>(DEFICIT)</b>	<b>(120,449)</b>	<b>(22,407)</b>
	<b>\$ 26,453</b>	<b>\$ 12,782</b>

Approved on behalf of the Board:

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Board Member

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Board Member

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**THE BHUTAN CANADA FOUNDATION**  
**STATEMENT OF OPERATIONS AND DEFICIT**

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FOR THE YEAR ENDED DECEMBER 31,	2016	2015
<b>REVENUE</b>		
Donations and contributions	\$ 120,619	\$ 289,746
Partnership programs	68,510	18,085
Other income	793	-
	189,922	307,831
<b>EXPENSES</b>		
Fundraising and special events	2,413	8,253
International programs and support	136,981	163,653
Office administration - Toronto	86,723	70,140
Partnership programs	61,847	15,856
	287,964	257,902
<b>(DEFICIT) EXCESS OF REVENUE OVER EXPENSES</b>	(98,042)	49,929
<b>(DEFICIT) - beginning</b>	(22,407)	(72,336)
<b>(DEFICIT) - ending</b>	\$ (120,449)	\$ (22,407)

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**THE BHUTAN CANADA FOUNDATION**  
**STATEMENT OF CASH FLOWS**

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<b>FOR THE YEAR ENDED DECEMBER 31,</b>	<b>2016</b>	<b>2015</b>
<b>CASH PROVIDED FROM (USED FOR):</b>		
<b>OPERATING ACTIVITIES</b>		
(Deficit) excess of revenue over expenses	\$ (98,042)	\$ 49,929
Changes in non-cash working capital balances		
Accounts receivable	-	10,000
Prepaid expenses	(10,761)	(945)
Accounts payable and accrued liabilities	(536)	217
Deferred revenue	47,449	(1,799)
Deposits	(3,352)	(11,022)
	<b>(65,242)</b>	<b>46,380</b>
<b>FINANCING ACTIVITIES</b>		
Due to 2170616 Ontario Inc.	<b>68,152</b>	<b>(40,086)</b>
<b>NET INCREASE IN CASH</b>	<b>2,910</b>	<b>6,294</b>
<b>CASH - beginning</b>	<b>11,837</b>	<b>5,543</b>
<b>CASH - ending</b>	<b>\$ 14,747</b>	<b>\$ 11,837</b>

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## THE BHUTAN CANADA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

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**DECEMBER 31, 2016**

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#### **PURPOSE OF THE ORGANIZATION**

The purpose of The Bhutan Canada Foundation (the "Foundation") is to advance education of students in Bhutan by teaching and providing books, equipment and educational aids to schools in Bhutan; to advance education by providing scholarships, bursaries, awards and other forms of financial assistance to Bhutanese students to attend school in Canada; and to advance health services in Bhutan by providing medical practitioners, supplies, training and logistical support.

The Foundation is a not-for-profit organization incorporated in the Province of Ontario as a Corporation without share capital. The Foundation is classified as a registered charity as defined in Section 149 of the Income Tax Act and is subject to the Charities Accounting Act and the Charities Gift Act. The Foundation's registered charitable number is 817719891RR0001.

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Basis of accounting**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, which is in accordance with Canadian generally accepted accounting principles.

##### **b) Cash**

The Foundation's policy is to disclose bank balances under cash.

##### **c) Contributed goods and services**

Contributed goods are recorded at fair value at the date of contribution when fair value is reasonably determinable. Otherwise, contributed goods are recorded at nominal amount.

The Board of Directors and others contribute volunteer services to the Foundation in carrying out its operating activities. Because of the difficulty in determining the fair value of these contributed services, they are not recognized in the financial statements.

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## THE BHUTAN CANADA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

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**DECEMBER 31, 2016**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **d) Allocation of expenses**

The Foundation incurs salaries and benefits expenses and consulting fees that are common to the operation of the Foundation and each of its functions. Certain of these expenses have been allocated across each function based on an assessment made by management, which takes into account the staffs' and consultants' time spent supporting each activity. Such allocations are reviewed annually.

##### **e) Financial instruments**

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

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

The Foundation recognizes transaction costs in excess/deficit of revenue over expenses in the period incurred except for financial instruments that will not be measured subsequently at fair value. The carrying amount of these instruments are adjusted by the transaction costs that are directly attributable to the instrument.

##### **f) Fixed assets**

The Foundation does not capitalize or amortize its purchased fixed assets and expenses them on acquisition, which is in accordance with the Canadian accounting standards for not-for-profit organizations as the Foundation's average annual revenue for the current and preceding fiscal period is less than \$500,000. Major categories of fixed assets not recorded in the statement of financial position include computer equipment and furniture. The total amount of acquired fixed assets expensed in 2016 is nil (2015 - nil).

##### **g) Foreign exchange translation**

Monetary assets and liabilities are translated to Canadian dollars at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the statement of operations and deficit are translated at average year rates. Exchange gains and losses are included in the statement of operations and deficit.

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## THE BHUTAN CANADA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

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**DECEMBER 31, 2016**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **h) Revenue recognition**

The Foundation follows the deferral method of accounting for contributions.

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

Externally restricted donations, contributions and grants are recognized as revenue in the year in which the related expenses are incurred.

Partnership programs revenue are recognized upon the completion of the program.

Other income is recognized as revenue when received.

##### **i) Use of estimates**

The preparation of the Foundation's 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in operations in the period in which they become known. Actual results in the future may differ from those estimates made.

#### **2. DEFERRED REVENUE AND PREPAID EXPENSE**

Deferred revenue represent amounts received for the Chairman's Trip, a partnership program led by the Chair of the Board, which took place in April 2017. Deposits paid by the Foundation related to the Chairman's Trip are included in prepaid expense.

#### **3. DEPOSITS**

Deposits represent amounts received from teachers in Bhutan for the purchase of airfare and medical insurance for the future school year, which were purchased by the Foundation subsequent to the year end.

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**THE BHUTAN CANADA FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**DECEMBER 31, 2016**

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**4. DUE TO 2170616 ONTARIO INC.**

The balance due to 2170616 Ontario Inc., O/A Blyth International Education (a company owned by the Chair of the Board), is non-interest bearing, unsecured and has no fixed terms of repayment.

**5. GRANTS**

During the year, the Foundation received a grant of \$3,000 from an Anonymous Fund for general support in the Foundation's operations. The Foundation also received grants of \$1,267 and \$8,074 during the year from the Bhutan Foundation USA for subsidizing insurance and travel expenses for teachers working in Bhutan and participants of the partnership reading program respectively.

The full amount of the grants received were recognized as revenue as all the grant funds received were spent during the year.

All grants received from the funding agencies may only be spent for the items and activities described in the grant agreement. The funding agencies reserve the right to require the return of grant funds should the Foundation not comply with the agreement.

**6. ALLOCATION OF EXPENSES**

The Foundation classifies expenses on the statement of operations and deficit by function. A portion of salary and benefits expenses and consulting fees of certain employees and consultants have been allocated as follows:

	<b>2016</b>	<b>2015</b>
International programs and support	\$ <b>54,028</b>	\$ 63,899
Office administration - Toronto	<b>35,000</b>	29,762
	<b>\$ 89,028</b>	\$ 93,661

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## THE BHUTAN CANADA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

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**DECEMBER 31, 2016**

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#### **7. FINANCIAL INSTRUMENTS**

The significant financial risks to which the Foundation is exposed to are liquidity risk and market risk and there were no changes to these risks from the prior year.

##### **a) Liquidity risk**

Liquidity risk is the risk that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Foundation not being able to liquidate assets in a timely manner at a reasonable price.

The Foundation meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

##### **b) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to currency risk.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Foundation is exposed to currency risk as it enters into foreign currency transactions for its revenue and expenditures and has assets that are denominated in foreign currencies. As at December 31, 2016, cash of \$6,122 (2015 - \$6,848) are denominated in US dollar and Bhutanese Ngultrum and converted into Canadian dollars. Risk exposure changes as volume of transactions change and also due to exchange rates.

#### **8. MAJOR COMMITMENTS**

The Foundation has entered into a lease agreement with 2170616 Ontario Inc., O/A Blyth International Education (a company owned by the Chair of the Board). Under the terms of the lease agreement, monthly rent is \$1,220 and the lease will continue until terminated by either party. The monthly rent is inclusive of utilities, shared use of common areas, and the shared photocopier and printer. The lease agreement contains a 60-day cancellation clause.

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## THE BHUTAN CANADA FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS

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#### **9. RELATED PARTY TRANSACTIONS**

During the year, the Foundation paid \$2,549 (2015 - nil) for a Board of Directors retreat and \$594 (2015 - nil) for tickets Board of Directors to attend a special event.

In addition, 2170616 Ontario Inc., O/A Blyth International Education ("Blyth") (a company owned by the Chair of the Board) provides bookkeeping and accounting services at no charge to the Foundation. Also, rent expense of \$14,640 (2015 - \$14,640) was charged by Blyth to the Foundation and a donation of \$14,640 (2015 - \$14,640) was made by Blyth to the Foundation.

The related party transactions with Blyth are recorded in the statement of operations and deficit are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

#### **10. ECONOMIC DEPENDENCE**

The Foundation is economically dependent on 2170616 Ontario Inc., O/A Blyth International Education ("Blyth"), a company owned by the Chair of the Board and the Board of Directors' donations and contributions for funding its operations.

#### **11. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year. The reclassification has no effect on previously reported results and net assets.

#### **12. SUBSEQUENT EVENT**

Subsequent to year end, the Foundation laid off all of its employees in its Bhutan office. Termination benefits paid to these employees in 2017 total \$12,801.