

Horatio Alger Association of Canada

Financial Statements
December 31, 2017
(expressed in Canadian dollars)



October 30, 2018

Independent Auditor's Report

To the Directors of Horatio Alger Association of Canada

We have audited the accompanying financial statements of Horatio Alger Association of Canada (the Association), which comprise the statement of financial position as at December 31, 2017 and the statements of operations and changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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. 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 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2017 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.

Emphasis of matter - comparative information

We draw attention to note 3 to the financial statements, which describes that the Association adopted Canadian accounting standards for not-for-profit organizations on January 1, 2017, with a transition date of January 1, 2016. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2016 and January 1, 2016, the statements of operations and changes in fund balances and cash flows for the year ended December 31, 2016, and the related disclosures. Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information and, as such, it is unaudited.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Horatio Alger Association of Canada

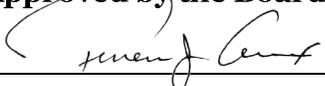
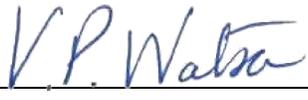
Statement of Financial Position

As at December 31, 2017

(expressed in Canadian dollars)

	2017			2016		
	General Fund \$	Scholarship Fund \$	Endowment Fund \$	Total \$	Total \$ (Unaudited)	January 1 \$ (Unaudited)
Assets						
Cash and cash equivalents	638,887	839,553	3,698,450	5,176,890	3,631,593	3,747,445
Accounts receivable (note 4)	221,183	220,997	437,648	879,828	803,215	775,000
Prepaid assets	15,707	-	-	15,707	2,030	-
Due from related party	94,876	-	-	94,876	-	-
	<u>970,653</u>	<u>1,060,550</u>	<u>4,136,098</u>	<u>6,167,301</u>	<u>4,436,838</u>	<u>4,522,445</u>
Liabilities						
Accounts payable and accrued expenses	55,858	-	-	55,858	65,144	11,333
Scholarships payable (note 5)	-	886,401	-	886,401	762,190	641,161
Due to related party	-	-	-	-	4,470	51,178
	<u>55,858</u>	<u>886,401</u>	<u>-</u>	<u>942,259</u>	<u>831,804</u>	<u>703,672</u>
Fund Balances						
Unrestricted	914,795	-	-	914,795	(844,746)	(505,351)
Externally restricted (note 6)	-	174,149	4,136,098	4,310,247	4,449,780	4,324,124
	<u>914,795</u>	<u>174,149</u>	<u>4,136,098</u>	<u>5,225,042</u>	<u>3,605,034</u>	<u>3,818,773</u>
	<u>970,653</u>	<u>1,060,550</u>	<u>4,136,098</u>	<u>6,167,301</u>	<u>4,436,838</u>	<u>4,522,445</u>

Approved by the Board of Directors

 Executive Director  Director

The accompanying notes are an integral part of these financial statements.

Horatio Alger Association of Canada
Statement of Operations and Changes in Fund Balances
For the year ended December 31, 2017

(expressed in Canadian dollars)

				2017	2016
	General Fund \$	Scholarship Fund \$	Endowment Fund \$	Total \$	Total \$ (Unaudited)
Revenue					
Contributions	3,202,166	801,697	5,732	4,009,595	1,298,097
Grants received (note 8)	74,302	-	-	74,302	26,020
	3,276,468	801,697	5,732	4,083,897	1,324,117
Expenses					
Educational programs	335,163	-	-	335,163	249,390
Member meetings	542,886	-	-	542,886	205,348
Fundraising events	415,053	-	-	415,053	-
Scholarships	-	946,962	-	946,962	991,142
Administration	223,825	-	-	223,825	91,976
	1,516,927	946,962	-	2,463,889	1,537,856
Excess (deficiency) of revenue over expenses for the year	1,759,541	(145,265)	5,732	1,620,008	(213,739)
Fund balances - Beginning of year	(844,746)	319,414	4,130,366	3,605,034	3,818,773
Fund balances - End of year	914,795	174,149	4,136,098	5,225,042	3,605,034

The accompanying notes are an integral part of these financial statements.

Horatio Alger Association of Canada

Statement of Cash Flows

For the year ended December 31, 2017

(expressed in Canadian dollars)

	2017 \$	2016 \$ (Unaudited)
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	1,620,008	(213,739)
Net change in non-cash working capital	<u>(299,711)</u>	<u>(77,113)</u>
	1,320,297	(290,852)
Financing activities		
Cash from endowment contributions	<u>225,000</u>	<u>175,000</u>
Increase (decrease) in cash and cash equivalents during the year	1,545,297	(115,852)
Cash and cash equivalents - Beginning of year	<u>3,631,593</u>	<u>3,747,445</u>
Cash and cash equivalents - End of year	<u>5,176,890</u>	<u>3,631,593</u>

The accompanying notes are an integral part of these financial statements.

Horatio Alger Association of Canada

Notes to Financial Statements

December 31, 2017

(expressed in Canadian dollars)

1 Purpose of the Association

Horatio Alger Association of Canada (the Association) is a not-for-profit organization established to induct as members contemporary role models whose experiences exemplify the opportunities for a successful life, to provide scholarship assistance to deserving young Canadians and to mentor scholarship recipients and educate youth about the limitless possibilities available to them. The Association is incorporated under the Canada Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act (Canada).

2 Summary of significant accounting policies

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies.

Fund accounting

The Association follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Association program delivery and administrative activities. This fund reports unrestricted resources and grants.

The Scholarship Fund reports only externally restricted resources that are to be used for scholarships to Canadian students in the program.

The Endowment Fund reports externally restricted resources to be maintained permanently.

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.

Revenue recognition

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

Restricted contributions in the Scholarship Fund are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions in the Endowment Fund are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

All restricted contributions have a corresponding restricted fund where revenue is recognized or will otherwise be recognized in the General Fund under the deferral method.

Horatio Alger Association of Canada

Notes to Financial Statements

December 31, 2017

(expressed in Canadian dollars)

Allocation of expenses

The costs of providing the Association's General Fund activities have been summarized on a program basis under the statement of operations and changes in fund balances. Expenses that can be identified with a specific program or supporting service are allocated directly. Certain operating costs have been allocated among the programs and supporting services benefited.

Scholarships

The Association records an expense and payable when a scholarship is awarded to a student and the likelihood of payment of the scholarship is considered probable. The Association records an estimate for forfeitures at the time the scholarship is awarded. Scholarships expected to be paid in future periods greater than one year are discounted to present value based on expected future cash flows at an appropriate discount rate commensurate with the risks involved.

3 Impact of the change in the basis of accounting

These financial statements are the first financial statements for which the Association applied ASNPO.

The financial statements for the year ended December 31, 2017 were prepared in accordance with the accounting principles and provisions set out in First-time Adoption by Not-for-Profit Organizations, Section 1501, for first-time adopters of this basis of accounting. The financial statements for the year ended December 31, 2016 were prepared in accordance with accounting principles generally accepted in the United States of America.

The impact of adopting these standards was accounted for in the net assets at the date of transition, i.e., January 1, 2016 (beginning of the year for which comparative information is presented). There were no transition adjustments as at January 1, 2016.

A reconciliation of amounts stated in the previous financial statements for the year ended December 31, 2016 is presented below, with an adjustment recorded to remove the allowance on accounts receivable.

	As previously stated for 2016 \$	Impact of adoption \$	In accordance with the new basis of accounting for 2016 \$
Assets	4,420,338	16,500	4,436,838
Liabilities	831,804	-	831,804
Net assets	3,588,534	16,500	3,605,034
Deficiency of revenue over expenses for the year	(230,239)	16,500	(213,739)

Horatio Alger Association of Canada

Notes to Financial Statements

December 31, 2017

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4 Accounts receivable

The Association obtained \$4,008,997 in pledges for 2017, of which 78% were collected before the end of the year. The accounts receivable balance consists of the following as at December 31, 2017:

				2017	2016
	General Fund \$	Scholarship Fund \$	Endowment Fund \$	Total \$	Total \$ (Unaudited)
Amounts due in					
Less than one year	20,000	220,997	225,000	465,997	435,000
One to five years	210,000	-	225,000	435,000	390,000
Accounts receivable	230,000	220,997	450,000	900,997	825,000
Discounting of pledges due greater than one year	(8,817)	-	(12,352)	(21,169)	(21,785)
	221,183	220,997	437,648	879,828	803,215

5 Scholarships

During the year ended December 31, 2017, the Association awarded \$970,908 in scholarships (2016 - \$1,024,802, unaudited), with forfeitures of \$20,000 (2016 - \$15,000, unaudited). As at December 31, 2017, \$886,401, net of the discount of \$19,304, remained to be distributed. The discount used of 4% is based on a projected market interest rate. The expected future payments on the awarded scholarships as at December 31, 2017 are as follows:

	2017 \$	2016 \$ (Unaudited)
Payable in one year	524,906	326,913
Payable in two years	254,837	222,969
Payable in three years	125,962	227,666
	905,705	777,548
Discounting of scholarships due greater than one year	(19,304)	(15,358)
	886,401	762,190

Horatio Alger Association of Canada

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6 Externally restricted net assets

Major categories of externally imposed restrictions on net assets are as follows:

	2017 \$	2016 \$ (Unaudited)
Restricted for scholarships	174,149	319,414
Endowments - the income for which is restricted for scholarships	4,136,098	4,130,366
	<u>4,310,247</u>	<u>4,449,780</u>

7 Excellence Gala

During 2017, the Association organized its first Excellence Gala. This annual event allows the Association to:

- report on programmatic activities to its members;
- induct new members into the Association;
- award scholarships to and recognize its scholars;
- foster opportunities for scholars to develop mentoring relationships with members;
- provide national visibility for the Association; and
- raise funds for scholarship programs and general operations.

Contributions reported in the General Fund include revenue for this event of \$2,382,281.

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8 Fellow organizations

Horatio Alger Association of Distinguished Americans, Inc., a fellow not-for-profit organization operating in the United States of America and exempt from income taxes under Internal Revenue Service Code Section 501(c)(3), contributes services and revenue to the Association's programs. The two organizations are independent of each other, but share a management team and some common directors. In addition, the Association reimburses Horatio Alger Association of Distinguished Americans, Inc. for direct expenses incurred on its behalf. The Association received approximately \$295,299 in contributions and services during the year ended December 31, 2017 (2016 - \$481,652, unaudited). The allocation is provided below:

	2017 \$	2016 \$ (Unaudited)
In-kind services	74,302	26,020
Contributions restricted for Scholarship Fund	220,997	455,632
Total support	<u>295,299</u>	<u>481,652</u>

9 Financial risk

The Association is exposed to various risks through its financial instruments.

Credit risk

The Association is exposed to credit risk with respect to accounts receivable and grants receivable.

Liquidity risk

Liquidity risk is the risk the Association may be unable to meet cash requirements or to fund obligations as they come due. The Association is exposed to liquidity risk with respect to the financial liabilities recognized in the statement of financial position.