

**CANADIAN WORKER CO-OPERATIVE FEDERATION**  
**Financial Statements**  
**Year Ended August 31, 2015**

**CANADIAN WORKER CO-OPERATIVE FEDERATION**

**Index to Financial Statements**

**Year Ended August 31, 2015**

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## INDEPENDENT AUDITORS' REPORT

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To the Members of Canadian Worker Co-operative Federation

We have audited the accompanying financial statements of Canadian Worker Co-operative Federation, which comprise the statement of financial position as at August 31, 2015 and the statements of revenues and expenditures, general reserve 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 we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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*"Helping businesses succeed since 1982"*

Basis for Qualified Opinion

The Canadian Worker Co-operative Federation derives income from Worker Co-operatives and related organizations in the form of donations and dues. Due to their nature, donations are not susceptible to complete audit verification and as the nature of the dues collected is non-contracted, dues are also not susceptible to complete audit verification. Accordingly, our verification of revenue from these sources was limited to accounting for the amounts recorded in the records of the Canadian Worker Co-operative Federation. We were not able to determine whether any adjustments might be necessary to donation revenue, dues, net income, assets and equity.

Qualified Opinion

In our opinion, except for the effects of the adjustments which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues, as described in the preceding paragraph, the financial statements present fairly, in all material respects the financial position of Canadian Worker Co-operative Federation as at August 31, 2015 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.

*Bishop & Company*

Wolfville, NS  
October 23, 2015

CHARTERED ACCOUNTANTS

**CANADIAN WORKER CO-OPERATIVE FEDERATION**

**Statement of Financial Position**

**August 31, 2015**

	Federation Operations 2015	Tenacity Works Fund 2015	Total 2015	Total 2014
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 101,936	\$ 376,148	\$ 478,084	\$ 444,925
Accounts receivable (Note 3)	57,176	3,583	60,759	31,476
Current portion of note receivable (Note 4)	-	-	-	1,500
Harmonized sales tax recoverable	1,270	-	1,270	-
Prepaid expenses	3,500	-	3,500	7,386
	163,882	379,731	543,613	485,287
EQUIPMENT (Note 5)	1,932	-	1,932	1,001
LONG TERM INVESTMENTS (Note 6)	1,061	658	1,719	1,682
RESTRICTED CASH / INVESTMENTS (Note 7)	777,982	60,243	838,225	783,074
INTERFUND BALANCE (Note 8)	3,690	(3,690)	-	-
INVESTMENT IN WORKER CO- OPERATIVES (Note 9)	-	78,890	78,890	131,606
	<b>\$ 948,547</b>	<b>\$ 515,832</b>	<b>\$ 1,464,379</b>	<b>\$ 1,402,650</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities (Note 11)	\$ 9,488	\$ 1,499	\$ 10,987	\$ 11,207
Harmonized sales tax payable	-	-	-	5,439
Deferred income (Note 12)	7,777	-	7,777	13,905
	17,265	1,499	18,764	30,551
TRUST FUNDS PAYABLE (Note 13)	777,982	-	777,982	722,831
	795,247	1,499	796,746	753,382
MEMBERS' EQUITY				
General reserve (Note 14)	153,300	514,333	667,633	649,268
	<b>\$ 948,547</b>	<b>\$ 515,832</b>	<b>\$ 1,464,379</b>	<b>\$ 1,402,650</b>

CONTINGENT LIABILITIES (Note 16)

COMMITMENTS (Note 17)

**ON BEHALF OF THE BOARD**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes  
Subject to audit engagement report dated October 23, 2015

# CANADIAN WORKER CO-OPERATIVE FEDERATION

## Statement of Revenues and Expenditures

Year Ended August 31, 2015

	Federation Operations 2015	Tenacity Works Fund 2015	Total 2015	Total 2014
<b>REVENUE</b>				
Annual general meeting	\$ 33,757	\$ -	\$ 33,757	\$ 28,679
CBA marketing fee	1,099	-	1,099	1,020
CoopZone (Note 19)	9,960	-	9,960	9,557
Dues (Note 20)	28,989	-	28,989	31,321
Fee for service	9,092	-	9,092	25,120
Interest	2,916	16,636	19,552	22,965
Loyalty payment Co-operators	55,217	-	55,217	14,293
RRSP fees	119,981	-	119,981	101,046
Miscellaneous revenue	-	-	-	1,000
	<u>261,011</u>	<u>16,636</u>	<u>277,647</u>	<u>235,001</u>
<b>EXPENSES</b>				
Amortization	483	-	483	377
Annual general meeting	29,228	-	29,228	25,623
Bad debts	4,613	-	4,613	2,369
Board and committee	4,978	500	5,478	7,822
Bookkeeping	8,000	-	8,000	9,000
CoopZone (Note 19)	9,252	-	9,252	9,513
Donations	5,000	-	5,000	111
Dues and insurance	7,816	811	8,627	6,758
Interest and bank charges	1,405	276	1,681	667
Member engagement project	3,553	-	3,553	-
Office and communications	11,881	1,866	13,747	7,313
Professional fees	6,000	2,000	8,000	9,353
RRSP Program	58,524	-	58,524	48,536
Rental	4,886	-	4,886	6,096
Salaries and wages (Note 21)	76,585	10,500	87,085	76,878
Special projects	-	-	-	19,000
TFSA Program	2,000	-	2,000	-
Technical assistance grants	2,260	-	2,260	2,700
Travel	7,532	1,000	8,532	7,635
	<u>243,996</u>	<u>16,953</u>	<u>260,949</u>	<u>239,751</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	17,015	(317)	16,698	(4,750)
Recovery (loss) on write-down of investment	-	1,667	1,667	(5,578)
<b>NET INCOME (LOSS)</b>	<u>\$ 17,015</u>	<u>\$ 1,350</u>	<u>\$ 18,365</u>	<u>\$ (10,328)</u>

**CANADIAN WORKER CO-OPERATIVE FEDERATION****Statement of General Reserve****Year Ended August 31, 2015**

	Federation Operations 2015	Tenacity Works Fund 2015	<b>Total 2015</b>	Total 2014
<b>GENERAL RESERVE - BEGINNING OF YEAR</b>	\$ 136,285	\$ 512,983	\$ <b>649,268</b>	\$ 659,596
Excess of revenue over expenses	17,015	1,350	<b>18,365</b>	(10,328)
<b>GENERAL RESERVE - END OF YEAR</b>	<u>\$ 153,300</u>	<u>\$ 514,333</u>	<u>\$ <b>667,633</b></u>	<u>\$ 649,268</u>

**CANADIAN WORKER CO-OPERATIVE FEDERATION****Statement of Cash Flows****Year Ended August 31, 2015**

	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>		
Cash receipts from operations	\$ 218,073	\$ 220,943
Cash paid to suppliers and employees	(248,840)	(236,970)
Interest	19,550	22,965
Interest paid	(1,681)	(667)
Harmonized sales tax	(6,708)	3,092
	<u>(19,606)</u>	<u>9,363</u>
Cash flow from (used by) operating activities	<u>(19,606)</u>	<u>9,363</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,414)	-
Net change in Investment in Worker Co-operatives	52,716	11,722
Purchase of long term investments	(37)	(42)
Increase in Trust Funds payable	55,151	7,041
Repayment of loans and notes receivable	1,500	1,500
	<u>107,916</u>	<u>20,221</u>
Cash flow from investing activities	<u>107,916</u>	<u>20,221</u>
<b>INCREASE IN CASH FLOW</b>	<b>88,310</b>	<b>29,584</b>
Cash - beginning of year	<u>1,227,999</u>	<u>1,198,415</u>
<b>CASH - END OF YEAR</b>	<b>\$ 1,316,309</b>	<b>\$ 1,227,999</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 478,084	\$ 444,925
Restricted cash / investments	838,225	783,074
	<u>\$ 1,316,309</u>	<u>\$ 1,227,999</u>



# CANADIAN WORKER CO-OPERATIVE FEDERATION

## Notes to Financial Statements

Year Ended August 31, 2015

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### 1. PURPOSE OF THE FEDERATION

The Federation, incorporated under the Canada Co-operative Association Act, is a Not-for-Profit co-operative whose objective is to work for the development and expansion of employee owned businesses organized according to co-operative principles.

The Federation is exempted from income tax under Section 149(1)(l) of the Canadian Income Tax Act which deals with Not-for-Profit Organizations.

The Federation Operations manages the operations of the Federation, provides service for funding received in the form of service contracts, and manages the RRSP contributions of employees of member co-operatives.

The Tenacity Works Fund manages capital held by the Canadian Worker Co-operative Federation to provide funding to member co-operatives as well as capital issued to member co-operatives in the form of term loans.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

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

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments in equity instruments that are quoted in an active market are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are subsequently reported at amortized cost, and tested for impairment when there are indicators of impairment.

Transaction costs on the acquisition, sale, or issue of financial instruments which are subsequently reported at fair value are expensed when incurred. Transaction costs on the acquisition, sale, or issue of financial instruments which are subsequently reported at amortized cost are amortized over the expected life of the instrument.

Financial assets measured at amortized cost include cash, accounts receivable, note receivable, long term investments, restricted cash and guaranteed investment certificates and investments in worker co-operatives.

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

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# CANADIAN WORKER CO-OPERATIVE FEDERATION

## Notes to Financial Statements

Year Ended August 31, 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Equipment

Equipment is stated at cost. Amortization is provided annually on the diminishing balance basis at rates calculated to write off the assets over their estimated useful lives as follows:

Equipment	30%
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The Federation regularly reviews its equipment to eliminate obsolete items. Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Government grants are treated as a reduction of equipment cost.

#### Revenue recognition

- a) The value of donated materials and services are not recorded in these financial statements.
- b) Funds received under various grant programs are recognized as income in the period in which they are utilized for approved grant purposes. Unused funds are reflected on the balance sheet as deferred income.
- c) The Federation follows the deferral method of accounting for contributions.
- d) Revenue from Federation programs are recognized as services are performed and ultimate collection is reasonably assured.
- e) Investment income is recognized as revenue in the year in which it is earned.
- f) Donations are recognized in the year received.

#### Allocation of expenses

The Federation allocates certain salaries and wages proportionately on the basis of the time spent to the various projects listed on the Statement of Revenues and Expenditures for which funding has been specifically provided. The allocation of the salaries and wages does not exceed the revenue received and/or receivable for each project. Similarly, salaries and wages are allocated to the Tenacity Works Fund in proportion to the time spent.

The basis of allocation is applied consistently each year.

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Most notable, the Tenacity Works Fund extends loans to qualifying co-operative businesses. The Fund's management has estimated the allowance for loan impairment based upon six criteria as follows: 1) whether the Co-op has achieved its revenue and expense projections, 2) if revenue and expense projections are not met, review of a financial plan demonstration potential to repay, 3) level of security vis a vis other creditors, 4) commitment level of members to achieve success, 5) payment history and 6) length of term until full payment is due. Significant changes in these factors could result in a material impairment of the investments in worker co-operatives.

Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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**CANADIAN WORKER CO-OPERATIVE FEDERATION****Notes to Financial Statements****Year Ended August 31, 2015**

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**3. ACCOUNTS RECEIVABLE**

	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 68,787	\$ 38,223
Trade accounts receivable from related party	4,538	1,206
Allowance for doubtful accounts	<u>(12,566)</u>	<u>(7,953)</u>
	<u>\$ 60,759</u>	<u>\$ 31,476</u>

Trade accounts receivable from the related party, CoopZone, is subject to normal trade terms. Transaction details are disclosed in *Note 19*.

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**4. LOANS AND NOTES RECEIVABLE**

	<u>2015</u>	<u>2014</u>
Loan to CoopZone, a related party, is non-interest bearing and unsecured.	\$ -	\$ 1,500
Amounts receivable within one year	<u>-</u>	<u>(1,500)</u>
	<u>\$ -</u>	<u>\$ -</u>

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**5. EQUIPMENT**

	Cost	Accumulated amortization	<b>2015 Net book value</b>	2014 Net book value
Equipment	<u>\$ 7,920</u>	<u>\$ 5,988</u>	<u>\$ 1,932</u>	<u>\$ 1,001</u>

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**6. LONG TERM INVESTMENTS**

	<u>2015</u>	<u>2014</u>
Alberta Community and Co-operative Association	\$ 50	\$ 50
British Columbia Co-operative Association	10	10
Co-operators Group	1	1
Co-operative Management Education Co-operative	1,000	1,000
First Calgary Financial	<u>658</u>	<u>621</u>
	<u>\$ 1,719</u>	<u>\$ 1,682</u>

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# CANADIAN WORKER CO-OPERATIVE FEDERATION

## Notes to Financial Statements

Year Ended August 31, 2015

### 7. RESTRICTED CASH / INVESTMENTS

	<u>2015</u>	<u>2014</u>
Restricted cash	\$ 777,982	\$ 722,831
Restricted investments	<u>60,243</u>	<u>60,243</u>
	<u>\$ 838,225</u>	<u>\$ 783,074</u>

Restricted cash represents amounts held in trust for RRSP deposits and deposits for the Federation of Worker Co-ops of British Columbia.

Restricted investments are investments in GICs which have been provided as security for a loan issued by the Bank of Montreal to Planet Bean Inc. The GICs are held by the Bank of Montreal, bear interest at 1.00% and mature August 22, 2016.

### 8. INTERFUND BALANCE

Interfund balances are non-interest bearing, unsecured and have no set terms of repayment.

### 9. INVESTMENT IN WORKER CO-OPERATIVES

	<u>2015</u>	<u>2014</u>
Term loans	\$ 50,470	\$ 104,853
Preferred loans	31,000	31,000
Allowance for loan impairment	<u>(2,580)</u>	<u>(4,247)</u>
	<u>\$ 78,890</u>	<u>\$ 131,606</u>

Pursuant to the terms of the HRDC Pilot Project, loans are extended to qualifying co-operative businesses. Term loans bear interest at varying rates and are repayable in blended monthly installments over a five year term. Preferred loans bear interest at varying rates which accrue over the five year term of the loan. Accrued interest and principal are due and payable at the end of the term. There is a registered security agreement covering each loan.

### 10. CREDIT FACILITY

The bank operating loan with Valley Credit Union is limited to \$20,000, bears interest at prime plus 1.75% and is secured by a general security agreement on the funds held in deposit at the Credit Union. At the balance sheet date, there have been no advances on the credit facility.

### 11. ACCOUNTS PAYABLE

	<u>2015</u>	<u>2014</u>
Accounts payable	\$ 10,779	\$ 11,207
Employee deductions payable	<u>208</u>	<u>-</u>
	<u>\$ 10,987</u>	<u>\$ 11,207</u>

# CANADIAN WORKER CO-OPERATIVE FEDERATION

## Notes to Financial Statements

Year Ended August 31, 2015

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### 12. DEFERRED INCOME

	<u>2015</u>	<u>2014</u>
Annual Conference	\$ 6,857	\$ 13,905
Other	920	-
	<u>\$ 7,777</u>	<u>\$ 13,905</u>

Other deferred income consists of amounts paid by various parties for retainer of services and future membership dues.

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### 13. TRUST FUNDS PAYABLE

	<u>2015</u>	<u>2014</u>
RRSP deposits	\$ 775,414	\$ 720,106
FWCBC deposits	2,568	2,568
Prepaid RRSP fees	-	157
	<u>\$ 777,982</u>	<u>\$ 722,831</u>

The FWCBC funds are being held in trust by the Canadian Worker Co-operative Federation until such time as the BC organization resumes operations. The RRSP deposits represent uninvested cash held on behalf of members.

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### 14. GENERAL RESERVE

Pursuant to the Federation's Articles of Association, any surplus of the Federation is to be retained as a reserve and used only for the objects for which the Federation is established. No part of the reserve shall be payable to, or otherwise be available for, the personal benefit of any member of the Federation.

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### 15. SHARE CAPITAL

Pursuant to the Federation's Articles of Association there is no legal share capital. The relationship among the members is that of a membership bond with rights and attendant limitations from time to time embodied in the bylaws of the Federation.

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### 16. CONTINGENT LIABILITIES

The Federation has provided a loan guarantee in the amount of \$60,243 on behalf of Planet Bean Inc. This loan guarantee is secured by investments which are disclosed as restricted per *Note 7*. Guarantor fees in the amount of \$602 (2014 - \$610) were received during the year.

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### 17. COMMITMENTS

Subject to certain conditions, the Federation has made investment pledges from the Tenacity Works Fund totaling \$175,000 to the National Co-op Investment Fund (NCIF) over a three-year period.

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# CANADIAN WORKER CO-OPERATIVE FEDERATION

## Notes to Financial Statements

Year Ended August 31, 2015

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### 18. FINANCIAL INSTRUMENTS

The Federation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. It is management's opinion that the organization is not exposed to significant currency risk from its financial instruments. The following analysis provides information about the Federation's risk exposure and concentration as of August 31, 2015.

#### Credit risk

The Federation is exposed to credit risk in connection with the collection of its accounts receivable. The Federation mitigates this risk by performing credit checks and therefore does not anticipate significant loss for non-collection. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Federation has a comprehensive plan in place to meet their obligations as they come due - primarily from cash flow from operations.

#### 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 rate risk, interest rate risk and other price risk. The Federation is mainly exposed interest rate risk.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Federation is exposed to interest rate risk on its fixed and floating rate interest bearing financial instruments which includes bank indebtedness, trust fund payable, investment in guaranteed investment certificates, and investments in worker co-operatives. Changes in the bank lending rates can cause fluctuations in cash flows and interest expense. The Federation does not use any derivatives to manage this risk.

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# CANADIAN WORKER CO-OPERATIVE FEDERATION

## Notes to Financial Statements

Year Ended August 31, 2015

### 19. RELATED PARTY TRANSACTIONS

	<u>2015</u>	<u>2014</u>
CoopZone		
<i>CoopZone is related to the Federation by way of common significant influence in the form of common management.</i>		
Service contract revenue	\$ 9,960	\$ 9,557
Expenses related to service contract	9,252	9,513
Donation made to CoopZone	4,500	-
Coopérative de recherche et de conseil Orion		
<i>Coopérative de recherche et de conseil Orion is a member Co-operative.</i>		
Payments to the Co-operative for contracts awarded	\$ 360	\$ 8,000

The transactions with CoopZone 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 the related parties.

The Federation regularly engages in transactions with its members who are considered related parties. Most of these transactions are undertaken in the normal course of operations, are reflected at the exchange amount and are not disclosed separately. Payments to member co-operatives for contracts awarded are disclosed above. The Board of Directors has procedures in place to ensure that any relationship for contracts awarded to a member is equitable, legal, and financially responsible to both the Federation and the member co-operative.

### 20. DUES

	<u>2015</u>	<u>2014</u>
Regular	\$ 18,482	\$ 22,146
Associate	8,900	7,775
Regional Federation	1,607	1,400
	<u>\$ 28,989</u>	<u>\$ 31,321</u>

### 21. ALLOCATION OF SALARIES AND WAGES

As described in *Note 2*, salaries and wages are allocated proportionately on the basis of time spent.

	<u>2015</u>	<u>2014</u>
Total salaries and wages	\$ 137,445	\$ 121,894
Allocation to projects	(50,360)	(45,016)
	<u>\$ 87,085</u>	<u>\$ 76,878</u>