

FINANCIAL STATEMENTS

For

**INTERNATIONAL FEDERATION OF CUSTOMS
BROKERS ASSOCIATIONS**

For year ended

MARCH 31, 2023

DRAFT
For Discussion Purposes Only

INDEPENDENT AUDITOR'S REPORT

To the members of

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS

Opinion

We have audited the financial statements of International Federation of Customs Brokers Associations (the Federation), which comprise the statement of financial position as at March 31, 2023, and the statements of revenue and expenses and changes in unrestricted net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Federation as at March 31, 2023 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Federation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Federation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Federation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Federation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Federation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
Date to be determined.

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

(In Canadian dollars)

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 239,007	\$ 280,802
Short-term investment (note 4)	103,486	102,309
Accounts receivable	-	71
HST receivable	11,865	2,861
Prepaid expenses	-	11,329
	<u>\$ 354,358</u>	<u>\$ 397,372</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,188	\$ 9,187
Due to related party (note 5)	113,568	114,688
Deferred revenue (note 6)	<u>203</u>	<u>63</u>
	118,959	123,938
UNRESTRICTED NET ASSETS	<u>235,399</u>	<u>273,434</u>
	<u>\$ 354,358</u>	<u>\$ 397,372</u>

Approved by the Board:

..... Director

(See accompanying notes)

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN UNRESTRICTED NET ASSETS
YEAR ENDED MARCH 31, 2023
(In Canadian dollars)

	<u>2023</u>	<u>2022</u>
REVENUE		
Conference	\$ 34,139	\$ -
Membership dues	\$ 32,867	\$ 36,956
Foreign exchange gain	10,877	-
Associate membership dues	4,762	3,475
Interest	<u>1,235</u>	<u>206</u>
	<u>83,880</u>	<u>40,637</u>
EXPENSES		
Conference	91,044	-
Management fee (note 5)	23,175	22,500
Professional fees	4,700	4,400
Office	2,381	2,777
Other meetings	539	-
Capacity building projects	53	-
Miscellaneous	23	12
Seminar series and board meeting	-	11,222
Foreign exchange loss	<u>-</u>	<u>899</u>
	<u>121,915</u>	<u>41,810</u>
Excess of expenses over revenue	(38,035)	(1,173)
Unrestricted net assets, beginning of year	<u>273,434</u>	<u>274,607</u>
Unrestricted net assets, end of year	<u>\$ 235,399</u>	<u>\$ 273,434</u>

(See accompanying notes)

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2023

(In Canadian dollars)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of expenses over revenue	\$ (38,035)	\$ (1,173)
Cash provided by (used in) changes in level of:		
Accounts receivable	71	52,469
HST receivable	(9,004)	(218)
Accrued interest	(178)	-
Prepaid expenses	11,329	247
Accounts payable and accrued liabilities	(3,999)	2,798
Due to related party	(1,120)	16,441
Deferred revenue	140	(2,164)
	<u>(40,796)</u>	<u>68,400</u>
INVESTING ACTIVITIES		
Purchase of short-term investment	<u>(999)</u>	<u>(150)</u>
INCREASE (DECREASE) IN CASH	(41,795)	68,250
CASH AT BEGINNING OF YEAR	<u>280,802</u>	<u>212,552</u>
CASH AT END OF YEAR	<u>\$ 239,007</u>	<u>\$ 280,802</u>

(See accompanying notes)

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

(In Canadian dollars)

1. **NATURE OF OPERATIONS**

The International Federation of Customs Brokers Associations (the "Federation") was formed in 1990 to establish a professional international business network for the industry and to facilitate cooperation and the exchange of information among the national customs brokers associations. On January 16, 1992, it was incorporated under the Canada Corporations Act as a non-profit organization without share capital and has continued under the Canada Not-for-Profit Corporations Act.

The Federation is a non-profit organization under the Income Tax Act (Canada) and is exempt from income taxes.

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

The Federation follows the deferral method of accounting for contributions.

- i) Membership dues are recognized as revenue proportionately over the fiscal year to which they relate. The membership year coincides with that of the fiscal year of the Federation, being April 1 to March 31.

Registration fees for conferences, board meetings, and other events are recognized in the period in which the event is held. Dues and registration fees received in advance of the fiscal year to which they relate are recorded as deferred revenue.

- ii) Investment income comprises interest from cash and fixed income investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments on a straight-line basis.
- iii) Revenue from external contracts is recognized as revenue over the term of the contract as the work is performed.

Intangible capital assets

Intangible capital assets are stated at acquisition cost. Amortization is based on the estimated useful life of the asset using straight-line method at the following rates:

Website	- 3 years
---------	-----------

One half of the above rate is used in the year of acquisition.

Translation of foreign currencies

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the date of the transaction. Foreign exchange gains and losses are included in income.

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2023

(In Canadian dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

Financial instruments

The Federation initially measures its financial assets and liabilities at fair value adjusted by transaction costs. The Federation subsequently measures all its non-cash financial assets and financial liabilities at amortized cost at the year end date.

Transaction costs associated with the acquisition and disposal of investments are capitalized to the acquisition costs or reduce proceeds on disposal.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for-not-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the determination of accrued liabilities. Actual results could differ from these estimates.

3. **FINANCIAL INSTRUMENTS**

The Federation's financial instruments are subject to the following risks, substantially unchanged from the prior year:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The financial instruments that potentially expose the Federation to credit risk are primarily accounts receivable. The Federation has a concentration of credit risk at March 31, 2023 as the accounts receivable is comprised of amounts due from an international non-profit organization for project work contracted to the Federation. It is management's opinion that there is no significant credit risk with respect to accounts receivable, and no allowance for uncollectible accounts receivable was considered necessary. Credit risk associated with cash and short-term investments is minimized by placing these assets with a Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Federation will encounter difficulty in meeting obligations associated with its financial liabilities. The Federation manages its liquidity risk by regularly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash. Accounts payable are normally paid within 30 days.

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2023

(In Canadian dollars)

3. **FINANCIAL INSTRUMENTS** - Cont'd.

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.

i) *Currency risk*

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

The Federation's functional currency is the Canadian dollar. However, the Federation is exposed to some currency risk due to conferences and events being held in different parts of the world. Management mitigates this risk by considering the currency risk implications at proposed conference locations and by holding both US dollar and Canadian dollar bank accounts. The value of US dollar holdings in Canadian dollars at year-end is \$109,117 (2022 - \$139,234).

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Federation does not have interest-bearing liabilities. Fluctuations in market rates of interest on invested funds do not have a significant impact on the Federation's results of operations due to their short-term nature.

iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Federation does not have investments in publicly-traded securities or derivative financial instruments that would be subject to price changes in the open market. Therefore, the Federation is not exposed to other price risk.

Changes in risk

There have been no significant changes in the Federation's risk exposures from the prior year.

4. **SHORT-TERM INVESTMENT**

Short-term investment consists of a balance held in a premium interest bearing savings account plus accrued interest, which approximates fair value.

INTERNATIONAL FEDERATION OF CUSTOMS BROKERS ASSOCIATIONS

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2023

(In Canadian dollars)

5. RELATED PARTY TRANSACTIONS

The Federation does not have its own employees and as a result, it paid the Canadian Society of Customs Brokers ("CSCB") a management fee of \$23,175 (2022 - \$22,500) for the provision of membership and administrative services. CSCB is a member of the Federation. The amount due to CSCB at year-end for these fees and other direct cost recoveries is non-interest bearing and due on demand. These transactions occurred in the normal course of operations and were measured at the exchange amount which is the amount agreed upon by both parties.

6. DEFERRED REVENUE

Deferred revenue is comprised of :

	<u>2023</u>	<u>2022</u>
Associated business dues	\$ 203	\$ 63