

**THE NATIONAL ASSOCIATION
OF JAPANESE CANADIANS
FINANCIAL STATEMENTS
MARCH 31, 2019**

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

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March 31, 2019

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MIYAZAWA & COMPANY

INDEPENDENT AUDITORS' REPORT

To the members of **THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS**:

We have audited the accompanying financial statements of **THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS**, which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS** as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of 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 NATIONAL ASSOCIATION OF JAPANESE CANADIANS** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 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.

In preparing the financial statements, management is responsible for assessing **THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS**'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 NATIONAL ASSOCIATION OF JAPANESE CANADIANS** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS**'s financial reporting process.

Auditor's Responsibility 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.

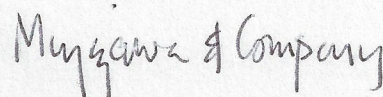
MIYAZAWA & COMPANY

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 in response 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 NATIONAL ASSOCIATION OF JAPANESE CANADIANS'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 NATIONAL ASSOCIATION OF JAPANESE CANADIANS'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 NATIONAL ASSOCIATION OF JAPANESE CANADIANS** 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 to 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.

Winnipeg, Manitoba
December 4, 2019



Chartered Professional Accountants

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

STATEMENT OF FINANCIAL POSITION

March 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 16,309	6,018
Investments	4,447,682	4,501,164
Prepaid expenses	2,350	2,309
	<u>4,466,341</u>	<u>4,509,491</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	<u>8,469</u>	<u>16,549</u>
	<u>8,469</u>	<u>16,549</u>
NET ASSETS		
OPERATING FUND (page 5)		
ENDOWMENT FUND (page 5)	3,958,443	3,921,930
SUSTAINING FUND (page 5)	<u>499,429</u>	<u>571,012</u>
	<u>4,457,872</u>	<u>4,492,942</u>
	<u>\$ 4,466,341</u>	<u>4,509,491</u>

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

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

STATEMENT OF OPERATIONS

For the year ended March 31, 2019

	2019	2018
REVENUE		
Miscellaneous	\$ 95	2,840
Product sales	604	952
Memberships	9,800	8,915
Registrations	4,523	9,440
Donations	200	1,000
	<u>15,222</u>	<u>23,147</u>
EXPENDITURES		
Accounting	1,726	5,488
Building occupancy	10,882	11,084
COPANI		2,533
Meeting and committee expenditures		
Annual general meeting	22,449	48,531
Executive committee	23,049	37,430
Future Directions committee		5,234
Redress committee	3,201	
Miscellaneous	297	615
Nisei Veterans wreath	668	696
Office expenses	11,297	18,661
Personnel	51,843	47,291
Professional fees	6,620	5,165
	<u>132,032</u>	<u>182,728</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	(116,810)	(159,581)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES		
Sustaining fund (page 10)	45,227	34,722
Endowment fund (page 11)	36,513	(14,872)
DEFICIENCY OF REVENUE OVER EXPENDITURES FOR YEAR	\$ (35,070)	(139,731)

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

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

STATEMENT OF CHANGES IN NET ASSETS

March 31, 2019

	Operating Fund	Sustaining Fund	Endowment Fund	2019 Total	2018 Total
NET ASSETS, beginning of year	\$	571,012	3,921,930	4,492,942	4,632,673
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR YEAR	(116,810)	45,227	36,513	(35,070)	(139,731)
INTER-FUND TRANSFERS	116,810	(116,810)			
NET ASSETS, end of year	\$	499,429	3,958,443	4,457,872	4,492,942

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

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for year	\$ (35,070)	(139,731)
Changes in non-cash working capital balances		
Gain on sale of investments	(60,788)	(171,241)
Unrealized losses (gain) on investments	(38,169)	133,616
Accounts receivable		1,299
Prepaid expenses	(41)	(1,784)
Accounts payable and accrued liabilities	(8,080)	(29,009)
	<u>(142,148)</u>	<u>(206,850)</u>
INVESTING ACTIVITIES		
Investments (net)	<u>152,439</u>	<u>190,576</u>
Net increase (decrease) in cash	10,291	(16,274)
CASH, beginning of year	<u>6,018</u>	<u>22,292</u>
CASH, end of year	<u>\$ 16,309</u>	<u>6,018</u>

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

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

1. ENTITY DEFINITION

The National Association of Japanese Canadians was incorporated under the Canada Corporations Act without share capital to strive for equal rights and liberties for all persons in Canada and to enable all Japanese Canadians to work together on matters of concern to the Japanese Community. The Association is exempt from paying income taxes under Section 149(1) of the Income Tax Act.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require 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 income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Basis of Presentation

The Association follows the restricted fund method of accounting.

a) Operating Fund

This Fund has been established to account for all revenue and expenditures relating to the operations of the National Association of Japanese Canadians.

b) Sustaining Fund

This Fund has been established to accumulate capital to help enable the National Association of Japanese Canadians maintain a national office and programs in future years.

c) Endowment Fund

The SEAD portion of the Fund has been established to provide financial assistance in the form of grants to Japanese Canadians furthering their studies and skills in the visual or performing arts, sports, or academic fields. The Cultural Development portion of the Fund has been established to provide financial assistance in the form of grants for Japanese Canadian cultural programs and activities. The National Development portion of the Fund has been established to provide financial assistance to the National Association of Japanese Canadian's programs. The Fund is available for qualifying non-recurring projects or events with national impact or scope that foster the development of Japanese Canadian culture, including the development of Japanese Canadian identity and community and the promotion of human rights.

Financial Instruments

The Association's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Association's financial instruments consist of cash, investments, accounts receivable and accounts payable and accrued liabilities.

All transactions related to financial instruments are recorded on a settlement date basis.

Transaction costs for financial instruments are expensed in the period incurred and recognized in excess of revenue over expenditures.

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

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2. ACCOUNTING POLICIES (continued)

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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

Contributions for sustainment of the National Office and for future programs are recognized as revenue in the Sustaining Fund in the year in which the related expenses are incurred. Contributions for endowment are recognized as revenue in the Endowment Fund in the year in which the related expenses are incurred.

3. MANAGEMENT OF NAJC FUND

In 2010, a motion was passed to change the management of the Association's investments from CIBC Wood Gundy and RBC Dominion Securities to Connor, Clark & Lunn Private Capital ("Connor"). Under the management of Connor, the four different investment accounts were integrated into one investment account, the NAJC Fund. The Association also re-activated its dormant business chequing account and receives cash transfers from Connor.

Under the new investment management, it was still necessary to monitor the Sustaining Fund and Endowment Fund portions of the NAJC Fund. The total amount of the NAJC Fund and its investment income were distributed to the Sustaining Fund and Endowment Fund portions according to their distributions as of August 31, 2009 when the Association's financial data was compiled for the purpose of the transfer of investment management services. These distributions are:

The Sustaining Fund	21.90%
The Endowment Fund	78.10%

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

4. FINANCIAL MANAGEMENT RISK

The Association is exposed to different types of risk in the normal course of operations, including credit, liquidity and market risk. The Association's objective in risk management is to optimize the risk return trade-off within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Association's activities.

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Association to credit risk consist principally of investment revenue receivable included in the market value of the investment portfolio. The Association is not exposed to significant credit risk as investment revenue receivable is spread among a broad investment base.

Liquidity risk is the risk that the Association will encounter difficulty in meeting financial obligations as they become due, and arises from the Association's management of working capital. The Association's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and foreign exchange risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Association's cash is held in short-term products. Thus, the Association is not exposed to significant interest rate risk.

The Association is exposed to significant foreign currency risk as it has financial instruments denominated in foreign currency and has a number of transactions in foreign currency. The Association's maximum exposure to foreign currency risk without taking into account market risk is \$646,720 at March 31, 2019 (page 12).

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

SCHEDULE OF SUSTAINING FUND

For the year ended March 31, 2019

	2019	2018
REVENUE		
Investment income	\$ 31,001	34,164
Realized gains on investments	13,313	37,502
Unrealized gains on investments	8,359	
	<hr/>	
	52,673	71,666
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EXPENDITURES		
Investment management fees	7,446	7,682
Unrealized losses on investments		29,262
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	7,446	36,944
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EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	\$ 45,227	34,722
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The accompanying notes are an integral part of these financial statements.

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

SCHEDULE OF ENDOWMENT FUND

For the year ended March 31, 2019

	2019	2018
REVENUE		
Investment income	\$ 110,558	121,835
Realized gains on investments	47,475	133,739
Unrealized gains on investments	29,810	
	<u>187,843</u>	<u>255,574</u>
EXPENDITURES		
Grants awarded		
ACE		15,231
Community Renewal	71,836	52,237
Community Development	8,750	11,430
Cultural Development and SEAD	32,500	32,200
Heritage		3,636
Membership	1,371	2,650
Scholarship	5,000	10,577
Youth Leaders	4,648	8,133
Human rights	672	728
Investment management fees	26,553	27,394
Endowment committee meetings		1,876
Unrealized losses on investments		104,354
	<u>151,330</u>	<u>270,446</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR YEAR	<u>\$ 36,513</u>	<u>(14,872)</u>

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

THE NATIONAL ASSOCIATION OF JAPANESE CANADIANS

SCHEDULE OF INVESTMENTS

March 31, 2019

	2019 Cost	2019 Market
Fixed Income		
Private Client Bond Portfolio	\$ 963,236	987,841
Private Client High Yield Bond Portfolio	259,785	261,352
Private Client Short Term Bond Portfolio	241,987	238,335
	<u>1,465,008</u>	<u>1,487,528</u>
Income		
PC Canadian Equity Income & Growth II	<u>492,934</u>	<u>705,113</u>
Canadian Equity		
Private Client Canadian Equity Portfolio	64,477	89,124
Private Client Canadian Value Portfolio	75,678	89,012
Private Client Small Cap II	300,553	298,654
	<u>440,708</u>	<u>476,790</u>
Hedge Strategies		
Private Client Multi Strategy	<u>700,897</u>	<u>704,287</u>
International Equity		
Private Client Global Equity Portfolio	225,527	416,790
Private Client Global Equity Income & Growth	421,193	665,580
	<u>646,720</u>	<u>1,082,370</u>
Cash and Equivalents		
Cash	<u>(8,406)</u>	<u>(8,406)</u>
Total - 2019	<u><u>\$ 3,737,861</u></u>	<u><u>4,447,682</u></u>
 Total - 2018	 <u><u>\$ 3,829,823</u></u>	 <u><u>4,501,164</u></u>

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