Christian Children's Fund of Canada

Financial Statements
March 31, 2017

August 22, 2017

Independent Auditor's Report

To the Members of
Christian Children's Fund of Canada

We have audited the accompanying financial statements of Christian Children's Fund of Canada, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, changes in net assets 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 Christian Children's Fund of Canada as at March 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Christian Children's Fund of Canada

Statement of Financial Position

As at March 31, 2017

(in thousands of dollars)

	2017 $	2016 $
Assets		
Current assets		
Cash	3,427	612
Accounts receivable	425	282
Prepaid expenses and other	383	492
	4,235	1,386
Investments (note 3)	5,150	5,002
Capital assets (note 4)	5,704	5,685
	15,089	12,073
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,659	2,404
Deferred contributions (note 5)	5,221	1,992
Demand loan (note 6)	805	1,006
	8,685	5,402
Deferred contributions	145	145
	8,830	5,547
Net Assets		
Unrestricted	1,360	1,647
Invested in capital assets (note 4)	4,899	4,679
Internally restricted - emergency response	-	200
	6,259	6,526
	15,089	12,073

Approved by the Board of Directors

W. Ellmor

_________________________ Director _________________________ Director

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

Christian Children's Fund of Canada

Statement of Operations

For the year ended March 31, 2017

(in thousands of dollars)

	2017 $	2016 $
Revenue		
Sponsorship support for children, families and communities	19,895	20,589
Donated goods	8,807	8,658
Special gifts for children	2,413	2,413
Contributions from Global Affairs Canada	2,909	1,590
General contributions	1,309	1,587
Specific project appeals	1,672	1,624
Grants	109	238
Bequests	616	683
Investment income	110	133
Change in fair value of foreign exchange contracts	112	227
Change in fair value of investments	401	(154)
	38,353	37,588
Expenditures		
Program services		
Health and nutrition	16,018	13,248
Education	7,471	7,548
Strengthening community organizations	3,330	3,475
Sustainable economic development	1,098	1,253
Water, sanitation and hygiene	806	1,638
Emergency response	476	1,471
Fundraising (note 10)	5,953	5,813
Administration (note 10)	3,468	3,193
	38,620	37,639
Deficiency of revenue over expenditures from operations	(267)	(51)
Writeoff of capital assets	-	(162)
Deficiency of revenue over expenditures	(267)	(213)

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

Christian Children's Fund of Canada

Statement of Changes in Net Assets

For the year ended March 31, 2017

(in thousands of dollars)

	Unrestricted $	Invested in capital assets $	Internally restricted - emergency response $	2017 Total $	2016 Total $
Net assets - Beginning of year	1,647	4,679	200	6,526	6,739
Excess (deficiency) of revenue over expenditures	246	(513)	-	(267)	(213)
Purchase of capital assets	(532)	532	-	-	-
Payment of obligations - mortgage	(201)	201	-	-	-
Interfund transfers	200	-	(200)	-	-
Net assets - End of year	1,360	4,899	-	6,259	6,526

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

Christian Children's Fund of Canada

Statement of Cash Flows

For the year ended March 31, 2017

(in thousands of dollars)

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenditures	(267)	(213)
Items not affecting cash		
Donated goods and related contributions	8,807	8,658
Support and contributions to affiliated programs	(8,807)	(8,658)
Amortization of capital assets	513	566
Writeoff of capital assets	-	162
Change in fair value of investments	(401)	-
Changes in non-cash operating working capital items		
Accounts receivable	(143)	171
Prepaid expenses and other	109	(28)
Accounts payable and accrued liabilities	255	567
Deferred contributions - net	3,229	(494)
	3,295	731
Financing activities		
Payment of obligations - mortgage	(201)	(160)
Investing activities		
Net increase in investments	253	45
Purchase of capital assets	(532)	(719)
	(279)	(674)
Increase (decrease) in cash during the year	2,815	(103)
Cash - Beginning of year	612	715
Cash - End of year	3,427	612

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

(in thousands of dollars)

1 Purpose of organization

Christian Children's Fund of Canada (CCFC) creates a future of hope for children, families and communities by helping them develop the skills and resources to overcome poverty and pursue justice.

For more than 50 years, CCFC has followed the example of Christ by serving the poor regardless of their faith, cultural and ethnic background.

As a member of ChildFund Alliance, CCFC is part of a global association of 12 child-focused organizations working in more than 50 countries.

CCFC is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is registered as a charity under the Income Tax Act (Canada).

2 Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The more significant of the accounting policies are outlined below:

Revenue

Significant sources of revenue are as follows:

a) Sponsorship support for children, families and communities

Sponsorship support received that is considered to be prepayments of monthly sponsorship support for children, families and communities is included in deferred contributions on the statement of financial position and is recognized monthly as revenue throughout the year.

b) Donated goods

Donated goods are valued at their estimated fair value. The recognition of donated goods is limited to donations where CCFC takes possession or constructive title of the donated goods and CCFC was the original recipient of the goods, was involved in a partnership with the end-user agency or the goods were used in CCFC programs. Donated goods are recorded as revenue at such time when the goods are deployed for charitable purposes to the end-user agencies.

c) General contributions and undesignated bequests

General contributions and undesignated bequests from the public are recognized in the financial statements as revenue when received.

(in thousands of dollars)

d) Restricted contributions

Contributions that are restricted for a designated purpose are recognized in the financial statements using the deferral method, whereby contributions relating to expenses of future years are deferred and recognized as revenue in the year in which the related expenses are incurred. These contributions include special gifts for children, specific project appeals, contributions from the Department of Foreign Affairs, Trade and Development, designated bequests and grants.

Allocation of expenditure

CCFC engages in the following program services: health and nutrition, education, strengthening community organizations, sustainable economic development, water sanitation and hygiene, and emergency response. Program services expenses, initially recorded by the appropriate expenditures classification, are reclassified to the program service categories based on information provided by end-users. The costs of each program include the costs of personnel, premises and other expenses directly related to providing the program services.

In addition, the organization allocates certain of the fundraising and administration expenditures that benefits individual program services on the following bases:

a) Fundraising

Expenditures relating to the semi-annual publication, ChildVoice, are allocated to program services based on the total costs times the percentage of content relating to each of the individual program service categories.

b) Administration

General support personnel costs are allocated to program services based on the percentage of the relevant employees' time involved in supporting program services.

Premises costs are allocated to program services based on the head count of program services over the total head count of CCFC.

Other shared costs including information technology, human resources management, insurance and equipment rental are allocated to program services based on head count and other bases deemed to be appropriate.

The fundraising expenditure of $123 (2016 - $65) and the administrative expenditure of $1,305 (2016 - $1,245) have been allocated to the program services expenditure during the year.

Capital assets

Capital assets are recorded at cost, less accumulated amortization. Maintenance and repair costs that do not significantly extend or improve the useful lives of the respective assets are expensed when incurred.

(in thousands of dollars)

Capital assets are amortized using the straight-line method over the following periods:

Head office	
Building	50 years
Office equipment	5 to 10 years
Computer, customized software and furniture	5 to 10 years
Equipment under capital leases	term of the lease
International field offices	
Computer and field program vehicles	3 to 5 years

CCFC reviews the carrying amounts of its capital assets regularly. Where the capital asset no longer has any long-term service potential to CCFC, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations.

Net assets

- Unrestricted

  The balance of unrestricted funds represents the accumulated excess of unrestricted contributions over related expenditures, less the amount invested in capital assets.

- Invested in capital assets

  Net assets invested in capital assets represent the amount of previously unrestricted net assets allocated to investments in capital assets.

- Internally restricted - emergency response

  Internally restricted - emergency response funds represent amounts set aside by the Board of Directors for future emergency response activities.

Financial instruments

CCFC initially measures all of its financial assets and financial liabilities at fair value and subsequently at amortized cost, except for investments and foreign exchange forward contracts that are subsequently recorded at fair value. Change in fair value of investments consists of net realized and unrealized gains and losses and is recognized in the statement of operations. Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Investments consist of a portfolio of money market, bond and equity investments managed by CCFC. The fair value of securities traded in an active market is the closing price.

Transaction costs are recorded on a settlement date basis and are expensed as incurred.

(in thousands of dollars)

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

3 Investments and foreign exchange forward contracts

The fair values of investments as at March 31, 2017 are as follows:

	2017 $	2016 $
Money market	30	232
Bonds	2,334	2,321
Canadian equities	2,028	1,672
Foreign equities	758	777
	5,150	5,002

Foreign exchange forward contracts

CCFC entered into various foreign exchange forward contracts in the normal course of operations. As at March 31, 2017, CCFC had outstanding contracts to buy US$150 at the contract rate of 1.33% for the month of April 2017. The derivative liability included in accounts receivable relating to these contracts amounted to $1 (2016 - derivative liability of $28). All derivative gains or losses have been included in fair value change in investments in the statement of operations.

4 Capital assets

	2017			2016
	Cost $	Accumulated amortization $	Net $	Net $
Land	1,093	-	1,093	1,093
Building	3,716	819	2,897	2,988
Computer equipment and customized software	4,058	2,492	1,566	1,431
Office equipment and furniture	81	43	38	52
Equipment under capital leases	85	44	41	59
Field program vehicles	565	496	69	62
	9,598	3,894	5,704	5,685

(in thousands of dollars)

5 Deferred contributions

Deferred contributions include unspent sponsorship funds and restricted contributions, including special gifts for children, specific project appeals, designated bequests, grants and contributions from Global Affairs Canada, as set out below:

	Balance - Beginning of year $	Received $	Recognized as revenue $	Balance - End of year $
Deferred contributions	2,137	9,886	(6,657)	5,366

6 Demand loan

The demand loan is repayable in monthly principal payments of $17 and bears interest at the bank's prime lending rate. CCFC has the option to repay in full at any time without penalty. The demand loan is secured by a collateral mortgage on the head office property and a general security agreement. CCFC is required to comply with certain financial covenants, one of which the entity has violated as at March 31, 2017. Subsequent to year-end on August 8, 2017, CCFC has obtained a notification from the bank acknowledging that CCFC was offside on the financial covenant and also confirmed that at the time of annual review all facilities will be renewed and the offside covenant will not result in the termination of the banking relationship.

Interest expense included in administration expense amounted to $25 (2016 - $49) for the year.

7 Life insurance policies

CCFC is the beneficiary of various life insurance policies with a total face value of $1,169 (2016 - $1,169). All premiums have been fully paid and there is no cash surrender value attached to these policies. CCFC will receive the face value of each policy upon the death or reaching the age of 100 of the insured individual. The insurance proceeds will be recorded as revenue when received given the uncertainty of the realization/cash-in dates.

8 Contingencies and commitments

The minimum annual rental payments for premises and equipment under operating leases are as follows:

	$
2018	166
2019	123
2020	70
2021	36
	395

(in thousands of dollars)

9 Risk management

Credit risk

Credit risk arises from one party to a financial instrument causing a financial loss for the other party by failing to discharge an obligation. CCFC is exposed to credit risk on accounts receivable. CCFC's credit risk is considered to be low as accounts receivable are primarily HST recoveries receivable from the government and accrued interest on investments.

Liquidity risk

Liquidity risk is the risk an organization will encounter difficulty in meeting obligations associated with financial liabilities. CCFC believes it has low liquidity risk given the makeup of its accounts payable and accrued liabilities and capital leases and mortgages payable. CCFC manages its cash flows regularly to ensure reasonably prompt liquidation of its obligations.

Market risk

CCFC's market risk comprises foreign currency risk and other price risk:

- Foreign currency risk

  CCFC's cash flows involve Canadian funds received from Canadian donors that are sent to CCFC's countries of operation where foreign currencies are then used to complete program activities. Foreign currency risk arises as a result of the possibility of cash flows fluctuating because of changes in foreign exchange rates. CCFC manages the foreign currency risk through its foreign exchange forward contracts and as a result, CCFC's foreign exchange risk is considered to be low. In the current year, foreign exchange gains were $112 (2016 - $227).

- Other price risk

  Other price risk refers to the risk the fair value of financial assets and liabilities or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk). CCFC is exposed to other price risk through its investments and foreign exchange forward contracts.

10 Alberta fundraising expenditures

During the year, CCFC incurred $27 (2016 - $12) of remuneration costs paid to employees based on the estimated time spent on fundraising in the Province of Alberta and $283 (2016 - $607) in direct expenses for the purposes of soliciting contributions in the Province of Alberta. This disclosure is required to comply with the Charitable Fund-raising Regulation Section 7(2) of the Government of Alberta.