

Christian Children's Fund of Canada

Financial Statements
March 31, 2014

Christian Children's Fund of Canada

Index to Financial Statements

March 31, 2014

(in thousands of dollars)

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 15



July 2, 2014

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, 2014 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.

*PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499*

(1)



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, 2014 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, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Assets		
Current assets		
Cash	412	1,036
Accounts receivable	333	382
Prepaid expenses and other	453	111
	<u>1,198</u>	<u>1,529</u>
Investments (note 3)	4,591	4,608
Capital assets (note 4)	<u>5,896</u>	<u>6,014</u>
	<u>11,685</u>	<u>12,151</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,503	1,453
Obligations under capital leases and mortgage payable (note 6)	186	178
	<u>1,689</u>	<u>1,631</u>
Deferred contributions (note 5)	2,111	2,243
Obligations under capital leases and mortgage payable (note 6)	<u>1,198</u>	<u>1,384</u>
	<u>4,998</u>	<u>5,258</u>
Net Assets		
Unrestricted	1,910	2,176
Invested in capital assets (note 4)	4,512	4,452
Internally restricted - emergency response	200	200
Endowment	65	65
	<u>6,687</u>	<u>6,893</u>
	<u>11,685</u>	<u>12,151</u>

Approved by the Board of Directors



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, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Revenue		
Sponsorship support for children, families and communities	20,716	20,133
Donated goods and related contributions	9,850	9,952
Special gifts for children	2,119	2,025
Contributions from Department of Foreign Affairs, Trade and Development	1,885	1,180
General contributions	1,688	1,716
Specific project appeals	1,546	1,432
Grants	460	568
Bequests	348	336
Investment income	119	118
Other income	3	36
	<hr/> 38,734	<hr/> 37,496
Expenditure		
Program services		
Health and nutrition	15,128	14,625
Education	7,482	8,103
Strengthening community organizations	3,214	2,915
Sustainable livelihoods development	1,567	1,899
Water, sanitation and hygiene	2,570	1,288
Emergency response	264	392
Fundraising (notes 8 and 10)	6,057	5,369
Administration (note 8)	2,823	2,640
	<hr/> 39,105	<hr/> 37,231
(Deficiency) excess of revenue over expenditure from operations	(371)	265
Fair value change in investments	165	33
(Deficiency) excess of revenue over expenditure	<hr/> (206)	<hr/> 298

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, 2014

(in thousands of dollars)

					2014	2013
	Unrestricted \$	Invested in capital assets \$	Internally restricted - emergency response \$	Endowment \$	Total \$	Total \$
Net assets - Beginning of year	2,176	4,452	200	65	6,893	6,595
(Deficiency) excess of revenue over expenditure	348	(554)	-	-	(206)	298
Purchase of capital assets	(436)	436	-	-	-	-
Payment of obligations - capital lease	(19)	19	-	-	-	-
Payment of obligations - mortgage	(159)	159	-	-	-	-
Net assets - End of year	1,910	4,512	200	65	6,687	6,893

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, 2014

(in thousands of dollars)

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of revenue over expenditure	(206)	298
Items not affecting cash		
Donated goods and related contributions	9,850	9,952
Support and contributions to affiliated programs	(9,850)	(9,952)
Amortization of capital assets	554	643
Changes in non-cash operating working capital items		
Accounts receivable	49	(3)
Prepaid expenses and other	(342)	(18)
Accounts payable and accrued liabilities	50	(199)
Deferred contributions, net (note 5)	(132)	426
	<hr/>	<hr/>
	(27)	1,147
Financing activities		
Payment of obligations - capital leases	(19)	(18)
Payment of obligations - mortgage	(159)	(152)
	<hr/>	<hr/>
	(178)	(170)
Investing activities		
Net decrease (increase) in investments	17	(165)
Purchase of capital assets	(436)	(545)
	<hr/>	<hr/>
	(419)	(710)
(Decrease) increase in cash during the year	(624)	267
Cash - Beginning of year	<hr/>	<hr/>
	1,036	769
Cash - End of year	<hr/>	<hr/>
	412	1,036

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

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(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.

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

Revenue is derived from the following significant sources:

- 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.

- 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 as 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.

- 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

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

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.

Endowment contributions are recognized as direct increases in net assets.

Allocation of expenses

CCFC engages in the following program services: health and nutrition, education, strengthening community organizations, sustainable livelihoods development, water sanitation and hygiene, and emergency response. Expenses relating to program services are initially recorded by the appropriate expense classification. These expenses 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 that are directly related to providing the program services.

CCFC also incurs fundraising and administration expenses, which provide benefits to the program services. CCFC allocates certain of its fundraising and administration expenses to program services based on the estimated level of benefit received by each program service. The appropriate basis of allocation is identified for each component expense, as described below, and is applied consistently each year.

Fundraising and administration expenses are allocated to program services as follows:

- Fundraising

Expenses 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.

- 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.

Amounts allocated from fundraising and administration are detailed in note 8.

Capital assets

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

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

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

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

CCFC reviews the carrying amounts of its long-lived assets regularly. Where the long-lived assets no longer have 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 expenditure, 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.

- Endowment

Endowment contributions are required to be maintained on a permanent basis and only the income derived therefrom is available to support organizational 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. Changes in fair value consists of net realized and unrealized gains and losses and are recognized in the statement of operations. Financial assets are tested for impairment at the end of each reporting period where 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.

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

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

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 expenditure 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, 2014 are as follows:

	2014 \$	2013 \$
Money market	362	-
Bonds	1,774	1,895
Canadian equities	2,044	2,713
Foreign equities	411	-
	<u>4,591</u>	<u>4,608</u>

Foreign exchange forward contracts

At year-end, CCFC had a net unrealized loss on open foreign exchange forward contracts of \$25 (2013- \$nil), recorded in the statement of operations as part of the fair value change in investments. The following represents the notional and carrying amounts of all foreign exchange forward contract assets and liabilities measured at fair value as at March 31, 2014:

Settlement Date	2014				
	To be delivered		To be received		Fair value (decrease) increase CA\$
	CA\$	US\$	CA\$		
April 30, 2014	330	300	332	2	
April 30, 2014	780	700	774	(6)	
May 31, 2014	555	500	553	(2)	
May 31, 2014	561	500	553	(8)	
June 30, 2014	556	500	553	(3)	
June 30, 2014	561	500	553	(8)	
	<u>3,343</u>		<u>3,318</u>	<u>(25)</u>	

The notional amounts to be delivered are equal to the amount to be delivered in Canadian value as at March 31, 2014.

There were no foreign exchange forward contracts outstanding as of March 31, 2013.

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

4 Capital assets

Capital assets consist of the following:

			2014	2013
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	1,093	-	1,093	1,093
Building	3,716	528	3,188	3,169
Computer equipment and customized software	5,202	3,792	1,410	1,465
Office equipment and furniture	531	440	91	57
Equipment under capital leases	103	56	47	67
Field program vehicles	439	372	67	163
	<u>11,084</u>	<u>5,188</u>	<u>5,896</u>	<u>6,014</u>

Invested in capital assets

Invested in capital assets consists of the following:

	2014	2013
	\$	\$
Capital assets - net	5,896	6,014
Less: Capital lease obligations and mortgage loan payable (note 6)	<u>1,384</u>	<u>1,562</u>
	<u>4,512</u>	<u>4,452</u>

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

5 Deferred contributions

Deferred contributions include sponsorship funds received that relate to periods subsequent to March 31, 2014 and restricted contributions, including special gifts for children, specific project appeals, designated bequests, grants and contributions from the Department of Foreign Affairs, Trade and Development, which are to be disbursed after year-end, as set out below:

	2013			2014
	Balance - End of year \$	Received \$	Recognized as revenue \$	Balance - End of year \$
Sponsorship support for children, families and communities	921	20,625	20,716	830
Specific project appeals	567	1,595	1,540	622
Designated bequests	149	26	18	157
Special gifts for children	128	2,121	2,118	131
Grants	116	515	441	190
Contributions from Department of Foreign Affairs, Trade and Development	362	1,705	1,886	181
	2,243	26,587	26,719	2,111

6 Capital lease obligations and mortgage payable

The minimum annual lease payments for equipment under capital leases and mortgage payable are as follows:

	2014		2013
	Capital leases \$	Mortgage payable \$	Total \$
2014	-	-	248
2015	21	227	248
2016	21	1,214	1,235
2017	12	-	12
Total minimum lease/mortgage payments	54	1,441	1,495
Less: Future interest expense	3	108	111
Balance of obligation	51	1,333	1,384
Less: Current portion	19	167	178
	32	1,166	1,384

The mortgage bears interest at a rate of 4.77% per annum, calculated semi-annually; it is amortized over ten years and has a term of five years maturing on February 14, 2016. The mortgage is secured by the head office property and a general security agreement.

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

Interest expense is included in administration expense in the statement of operations and is as follows:

	2014	2013
	\$	\$
Capital leases	2	3
Mortgage payable	68	75
	<hr/>	<hr/>
	70	78
	<hr/>	<hr/>

Operating leases

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

	\$
2015	170
2016	91
2017	14
	<hr/>
	275
	<hr/>

7 Contingent gain

CCFC is the beneficiary under various life insurance policies, which vest irrevocably with CCFC. All premiums have been paid in full. There is no cash surrender value attached to these policies. The total full face value of the policies that will be received in the future is approximately \$1,242 (2013 - \$1,242). It is not possible to determine the fair value of this amount given the uncertainty of the maturity dates. CCFC will receive the face value of each individual policy on the death or at the age of 100 of the individual donors. The proceeds of each policy will be recorded in the financial statements on receipt.

8 Allocation of expenses

As described in note 2, certain expenditures are allocated from fundraising and administration to program services.

Fundraising expenditures are stated after allocation of the following amounts:

	2014	2013
	\$	\$
Program services		
Health and nutrition	27	40
Education	13	12
Strengthening community organizations	6	4
Sustainable livelihoods development	4	3
Water, sanitation and hygiene	3	2
Emergency response	1	1
	<hr/>	<hr/>
	54	62
	<hr/>	<hr/>

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

Administration expenditures are stated after allocation of the following amounts:

	2014 \$	2013 \$
Program services		
Health and nutrition	551	717
Education	273	218
Strengthening community organizations	117	64
Sustainable livelihoods development	94	62
Water, sanitation and hygiene	57	32
Emergency response	10	18
	<hr/>	<hr/>
	1,102	1,111
	<hr/>	<hr/>

9 Risk management

The main risks CCFC's financial instruments are exposed to are: credit risk, liquidity risk and market risk.

- 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 that 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, as noted below.

- 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 \$99 (2013 - gains of \$15).

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

- 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 price risk through its investments and foreign exchange forward contracts. CCFC's estimate of the effect as at March 31, 2014 due to a 1% increase or decrease in the fair value of long-term investments and foreign exchange forward contracts, with all other variables held constant, would approximately amount to an increase or decrease of \$79 (2013 - \$46). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

10 Fundraising expenditures

The Government of Alberta requires additional information to be disclosed in order to comply with its Charitable Fund-raising Regulation Section 7 (2).

During the year, CCFC incurred \$30 (2013 - \$13) of remuneration costs paid to employees based on the estimated time spent on fundraising in the Province of Alberta and \$16 (2013 - \$19) in direct expenses for the purpose of soliciting contributions in the Province of Alberta.