

Christian Children's Fund of Canada

Financial Statements
March 31, 2015

Christian Children's Fund of Canada

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March 31, 2015

(in thousands of dollars)

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August 5, 2015

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, 2015 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, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Christian Children's Fund of Canada

Statement of Financial Position

As at March 31, 2015

(in thousands of dollars)

	2015 \$	2014 \$
Assets		
Current assets		
Cash	715	412
Accounts receivable	453	333
Prepaid expenses and other	464	453
	<u>1,632</u>	<u>1,198</u>
Investments (note 3)	5,047	4,591
Capital assets (note 4)	5,694	5,896
	<u>12,373</u>	<u>11,685</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,740	1,503
Obligations under capital leases and mortgage payable (note 6)	1,187	186
	<u>2,927</u>	<u>1,689</u>
Deferred contributions (note 5)	2,631	2,111
Obligations under capital leases and mortgage payable (note 6)	11	1,198
	<u>5,569</u>	<u>4,998</u>
Net Assets		
Unrestricted	2,043	1,910
Invested in capital assets (note 4)	4,496	4,512
Internally restricted - emergency response	200	200
Endowment	65	65
	<u>6,804</u>	<u>6,687</u>
	<u>12,373</u>	<u>11,685</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, 2015

(in thousands of dollars)

	2015 \$	2014 \$
Revenue		
Sponsorship support for children, families and communities	20,798	20,716
Donated goods and related contributions	6,196	9,850
Special gifts for children	2,318	2,119
Contributions from Department of Foreign Affairs, Trade and Development	2,211	1,885
General contributions	1,720	1,688
Specific project appeals	1,358	1,546
Grants	382	460
Bequests	745	348
Investment income	190	119
Other income	-	3
	<hr/> 35,918	<hr/> 38,734
Expenditure		
Program services		
Health and nutrition	11,223	15,128
Education	8,460	7,482
Strengthening community organizations	3,211	3,214
Sustainable livelihoods development	1,376	2,570
Water, sanitation and hygiene	1,533	1,567
Emergency response	1,115	264
Fundraising (notes 8 and 10)	5,838	6,057
Administration (notes 6 and 8)	3,397	2,823
	<hr/> 36,153	<hr/> 39,105
Deficiency of revenue over expenditure from operations	(235)	(371)
Fair value change in investments	<hr/> 352	<hr/> 165
Excess (deficiency) of revenue over expenditure	<hr/> 117	<hr/> (206)

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, 2015

(in thousands of dollars)

					2015	2014
	Unrestricted \$	Invested in capital assets \$	Internally restricted - emergency response \$	Endowment \$	Total \$	Total \$
Net assets - Beginning of year	1,910	4,512	200	65	6,687	6,893
Excess (deficiency) of revenue over expenditure	652	(535)	-	-	117	(206)
Purchase of capital assets	(333)	333	-	-	-	-
Payment of obligations - capital leases	(19)	19	-	-	-	-
Payment of obligations - mortgage	(167)	167	-	-	-	-
Net assets - End of year	2,043	4,496	200	65	6,804	6,687

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, 2015

(in thousands of dollars)

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditure	117	(206)
Items not affecting cash		
Donated goods and related contributions	6,196	9,850
Support and contributions to affiliated programs	(6,196)	(9,850)
Amortization of capital assets	535	554
Changes in non-cash operating working capital items		
Accounts receivable	(120)	49
Prepaid expenses and other	(11)	(342)
Accounts payable and accrued liabilities	237	50
Deferred contributions - net (note 5)	520	(132)
	<u>1,278</u>	<u>(27)</u>
Financing activities		
Payment of obligations - capital leases	(19)	(19)
Payment of obligations - mortgage	(167)	(159)
	<u>(186)</u>	<u>(178)</u>
Investing activities		
Net decrease (increase) in investments	(456)	17
Purchase of capital assets	(333)	(436)
	<u>(789)</u>	<u>(419)</u>
Increase (decrease) in cash during the year	303	(624)
Cash - Beginning of year	412	1,036
Cash - End of year	715	412

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

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2015

(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 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 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.

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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.

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.

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Notes to Financial Statements

March 31, 2015

(in thousands of dollars)

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.

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
Equipment under capital leases	term of the lease
International field offices	
Computer and office equipment, furniture 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 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. Change in fair value of investments consists of net realized and unrealized gains and losses and is

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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.

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, 2015 are as follows:

	2015 \$	2014 \$
Money market	1,051	362
Bonds	1,415	1,774
Canadian equities	2,086	2,044
Foreign equities	495	411
	<hr/>	<hr/>
	5,047	4,591

Foreign exchange forward contracts

As at March 31, 2015, CCFC had various foreign exchange forward contracts outstanding that will mature between April 30, 2015 and September 30, 2015 (2014 - April 30, 2014 to June 30, 2014) to buy a total of US\$4,500 (2014 - US\$3,000) at exchange rates ranging from 1.2427 to 1.2511 (2014 - 1.0994 to 1.1226). These foreign exchange forward contracts were entered into in the normal course of operations.

As at March 31, 2015, the net asset associated with the outstanding foreign exchange forward contracts amounted to \$84 (2014 - net liability of \$25), which is included in accounts receivable. This amount has been recognized as part of fair value change in investments in the statement of operations.

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Notes to Financial Statements

March 31, 2015

(in thousands of dollars)

4 Capital assets

Capital assets consist of the following:

			2015	2014
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	1,093	-	1,093	1,093
Building	3,716	620	3,096	3,188
Computer equipment and customized software	5,409	4,129	1,280	1,410
Office equipment and furniture	567	477	90	91
Equipment under capital leases	103	74	29	47
Field program vehicles	529	423	106	67
	11,417	5,723	5,694	5,896

Invested in capital assets

Invested in capital assets consists of the following:

	2015 \$	2014 \$
Capital assets - net	5,694	5,896
Less: Capital lease obligations and mortgage payable (note 6)	1,198	1,384
	4,496	4,512

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5 Deferred contributions

Deferred contributions include sponsorship funds received that relate to periods subsequent to March 31, 2015 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:

	Balance - Beginning of year \$	Received \$	Recognized as revenue \$	Balance - End of year \$
Sponsorship support for children, families and communities	830	20,784	20,798	816
Specific project appeals	622	1,631	1,311	942
Designated bequests	157	37	5	189
Special gifts for children	131	2,342	2,318	155
Grants	190	255	382	63
Contributions from Department of Foreign Affairs, Trade and Development	181	2,496	2,211	466
	<u>2,111</u>	<u>27,545</u>	<u>27,025</u>	<u>2,631</u>

6 Capital lease obligations and mortgage payable

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

			2015	2014
	Capital leases \$	Mortgage payable \$	Total \$	Total \$
2015	-	-	-	248
2016	21	1,214	1,235	1,235
2017	12	-	12	12
Total minimum lease/mortgage payments	33	1,214	1,247	1,495
Less: Future interest expense	1	48	49	111
Balance of obligation	32	1,166	1,198	1,384
Less: Current portion	21	1,166	1,187	186
	<u>11</u>	<u>-</u>	<u>11</u>	<u>1,198</u>

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.

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

	2015 \$	2014 \$
Capital leases	2	2
Mortgage payable	60	68
	<hr/> 62	<hr/> 70

Operating leases

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

	\$
2016	222
2017	77
2018	15
2019	15
2020 and thereafter	30
	<hr/> 359

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 (2014 - \$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:

	2015 \$	2014 \$
Program services		
Health and nutrition	30	27
Education	21	13
Strengthening community organizations	8	6
Sustainable livelihoods development	3	4
Water, sanitation and hygiene	3	3
Emergency response	3	1
	<hr/> 68	<hr/> 54

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Administration expenditures are stated after allocation of the following amounts:

	2015 \$	2014 \$
Program services		
Health and nutrition	446	551
Education	315	273
Strengthening community organizations	117	117
Sustainable livelihoods development	51	94
Water, sanitation and hygiene	50	57
Emergency response	43	10
	<hr/>	<hr/>
	1,022	1,102
	<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 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 \$137 (2014 - \$99).

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(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 other price risk through its investments and foreign exchange forward contracts.

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 \$23 (2014 - \$30) of remuneration costs paid to employees based on the estimated time spent on fundraising in the Province of Alberta and \$nil (2014 - \$16) in direct expenses for the purpose of soliciting contributions in the Province of Alberta.