

Christian Children's Fund of Canada

Financial Statements
March 31, 2018



June 11, 2018

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, 2018 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, 2018 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, 2018

(in thousands of dollars)

	2018 \$	2017 \$
Assets		
Current assets		
Cash	1,779	3,427
Accounts receivable	444	425
Prepaid expenses and other	218	383
	<u>2,441</u>	<u>4,235</u>
Investments (note 3)	5,390	5,150
Capital assets (note 4)	4,479	4,598
Intangible assets (note 5)	1,137	1,106
	<u>13,447</u>	<u>15,089</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,804	2,659
Deferred contributions (note 6)	3,480	5,221
Demand loan (note 7)	604	805
	<u>6,888</u>	<u>8,685</u>
Deferred contributions (note 6)	145	145
	<u>7,033</u>	<u>8,830</u>
Net Assets		
Unrestricted	1,403	1,360
Invested in capital assets (note 4)	5,011	4,899
	<u>6,414</u>	<u>6,259</u>
	<u>13,447</u>	<u>15,089</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, 2018

(in thousands of dollars)

	2018 \$	2017 \$
Revenue		
Sponsorship support for children, families and communities	18,969	19,895
Donated goods	7,152	8,807
Special gifts for children	2,361	2,413
Contributions from Global Affairs Canada	4,107	2,909
General contributions	819	1,309
Specific project appeals	3,134	1,672
Grants	696	109
Bequests	580	616
Investment income	88	110
Change in fair value of foreign exchange contracts	(262)	112
Change in fair value of investments	53	401
	<u>37,697</u>	<u>38,353</u>
Expenditures		
Program services		
Health and nutrition	15,015	16,018
Education	7,647	7,471
Strengthening community organizations	3,269	3,330
Sustainable economic development	1,154	1,098
Water, sanitation and hygiene	1,124	806
Emergency response	354	476
Fundraising (note 11)	5,430	5,953
Administration (note 11)	3,549	3,468
	<u>37,542</u>	<u>38,620</u>
Excess (deficiency) of revenue over expenditures for the year	<u>155</u>	<u>(267)</u>

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, 2018

(in thousands of dollars)

			2018	2017
	Unrestricted	Invested	Total	Total
	\$	in capital	\$	\$
		assets		
		\$		
Net assets - Beginning of year	1,360	4,899	6,259	6,526
Excess (deficiency) of revenue over expenditures for the year	722	(567)	155	(267)
Purchase of capital assets	(478)	478	-	-
Payment of obligations - mortgage	(201)	201	-	-
Net assets - End of year	1,403	5,011	6,414	6,259

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, 2018

(in thousands of dollars)

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures for the year	155	(267)
Items not affecting cash		
Donated goods and related contributions	7,152	8,807
Support and contributions to affiliated programs	(7,152)	(8,807)
Amortization of capital assets	567	513
Change in fair value of investments	(53)	(401)
Changes in non-cash operating working capital items		
Accounts receivable	(19)	(143)
Prepaid expenses and other	165	109
Accounts payable and accrued liabilities	145	255
Deferred contributions - net	(1,741)	3,229
	<u>(781)</u>	<u>3,295</u>
Financing activities		
Payment of obligations - mortgage	<u>(201)</u>	<u>(201)</u>
Investing activities		
Purchase of investments	(875)	(1,127)
Sale of investments	687	1,380
Purchase of capital assets	<u>(478)</u>	<u>(532)</u>
	<u>(666)</u>	<u>(279)</u>
(Decrease) increase in cash during the year	(1,648)	2,815
Cash - Beginning of year	<u>3,427</u>	<u>612</u>
Cash - End of year	<u>1,779</u>	<u>3,427</u>

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

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2018

(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.

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(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.

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.

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(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 equipment 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

Intangible assets consist of computer software and website development costs, which are amortized over the estimated useful lives of ten years.

CCFC reviews the carrying amounts of its capital assets and intangible assets regularly. Where the capital asset or intangible 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 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.

Christian Children's Fund of Canada

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(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, 2018 are as follows:

	2018 \$	2017 \$
Money market	106	30
Bonds	2,461	2,334
Canadian equities	1,857	2,028
Foreign equities	966	758
	5,390	5,150

Foreign exchange forward contracts

CCFC entered into various foreign exchange forward contracts in the normal course of operations. As at March 31, 2018, CCFC had no outstanding contracts. The derivative liability included in accounts receivable relating to foreign exchange contracts amounted to \$nil (2017 - derivative liability of \$1). All derivative gains or losses have been included in fair value change in investments in the statement of operations.

4 Capital assets

			2018	2017
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	1,093	-	1,093	1,093
Building	3,716	910	2,806	2,897
Computer equipment	795	416	379	460
Office equipment and furniture	98	58	40	38
Equipment under capital leases	85	58	27	41
Field program vehicles	586	452	134	69
	6,373	1,894	4,479	4,598

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5 Intangible assets

Intangible assets consist of computer software and website development costs totalling \$3,618 (2017 - \$3,328) of cost and \$2,481 (2017 - \$2,222) of accumulated amortization.

6 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:

	2018 \$	2017 \$
Balance - Beginning of year	5,366	2,137
Amounts received	7,109	9,886
Amounts recognized as revenue	(8,850)	(6,657)
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Balance - End of year	3,625	5,366

7 Bank credit facility

CCFC has the following credit facilities:

- overdraft facility of up to \$550 with interest on any borrowing calculated at the prime bank lending rate plus 0.25%; no amounts (2017 - \$nil) have been drawn as at March 31, 2018;
- credit card facility of \$100;
- forward exchange contract facility with contract terms of up to one year; and
- a demand loan of up to \$1,007, repayable in monthly principal payments of \$17 and bears interest at the bank's prime lending rate, secured by a collateral mortgage on the head office property and a general security agreement. CCFC has the option to repay in full at any time without penalty. As at March 31, 2018, the outstanding balance is \$604 (2017 - \$805).

Interest expense included in administration expense amounted to \$25 (2017 - \$25) for the year.

8 Life insurance policies

CCFC is the beneficiary of various life insurance policies with a total face value of \$1,169 (2017 - \$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 on 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.

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9 Contingencies and commitments

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

	\$
2019	230
2020	171
2021	28
	<hr/>
	429
	<hr/>

10 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 losses were \$(262) (2017 - gain of \$112).

- 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.

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(in thousands of dollars)

11 Alberta fundraising expenditures

During the year, CCFC incurred \$26 (2017 - \$27) of remuneration costs paid to employees based on the estimated time spent on fundraising in the Province of Alberta and \$558 (2017 - \$283) 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.

12 Allocation of expenses

As described in note 2, certain expenditures are allocated from administration to program service.

Administration expenditures are stated after the allocation of the following amounts:

	2018	2017
	\$	\$
Program services		
Health and nutrition	502	459
Education	489	480
Strengthening community organizations	204	214
Sustainable livelihood development	68	71
Water and sanitation	68	52
Emergency response	27	31
	<hr/>	<hr/>
	1,358	1,307
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The fundraising expenditures of \$175 (2017 - \$123) have been allocated to the program services expenditure during the year.