

Financial Statements of

CHILDREN BELIEVE

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Children Believe

Opinion

We have audited the financial statements of Children Believe (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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 auditor's report.

We are independent of the Entity 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.



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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities 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 the financial statements.

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 responsive 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.



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- 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 Entity'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 Entity'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 Entity 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.
- Communicate with 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.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

June 26, 2023

CHILDREN BELIEVE

Statement of Financial Position
(In thousands of dollars)

March 31, 2023, with comparative information for 2022

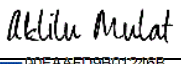
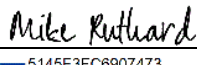
	2023	2022
Assets		
Current assets:		
Cash	\$ 2,961	\$ 5,234
Accounts receivable	735	394
Prepaid expenses and other	155	133
Investments (note 3)	5,335	7,282
	9,186	13,043
Capital assets (note 4)	3,754	3,800
Intangible assets (note 5)	513	574
	\$ 13,453	\$ 17,417

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,435	\$ 3,470
Deferred contributions (note 6)	3,310	3,938
	5,745	7,408
Deferred contributions (note 6)	145	145
	5,890	7,553
Net assets:		
Unrestricted	3,296	5,490
Invested in capital assets	4,267	4,374
	7,563	9,864
Commitments (note 8)		
Subsequent event (note 15)		
	\$ 13,453	\$ 17,417

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director

 _____ Director

CHILDREN BELIEVE

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Sponsorship support for children, families and communities	\$ 15,503	\$ 15,277
Gifts in kind	6,711	2,504
Grants (note 10)	5,786	5,042
Special gifts for children	2,555	2,526
Special project appeals	2,227	1,689
Legacy or bequests	1,436	977
General contributions	1,194	968
Investment and other income (loss) (note 11)	565	(1)
Government assistance	—	416
	<u>35,977</u>	<u>29,398</u>
Expenditures:		
Program services:		
Education	12,885	12,450
Health and nutrition	9,300	5,730
Strengthening community organizations	3,375	2,464
Emergency response	717	214
Sustainable economic development	842	906
Water, sanitation and hygiene	693	396
	<u>27,812</u>	<u>22,160</u>
Supporting costs:		
Fundraising (note 12)	6,526	3,706
Administration (note 13)	3,940	3,023
	<u>10,466</u>	<u>6,729</u>
	<u>38,278</u>	<u>28,889</u>
Excess (deficiency) of revenue over expenditures	\$ (2,301)	\$ 509

See accompanying notes to financial statements.

CHILDREN BELIEVE

Statement of Changes in Net Assets (In thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023		2022	
	Unrestricted	Invested in capital assets	Total	Total
Net assets, beginning of year	\$ 5,490	\$ 4,374	\$ 9,864	\$ 9,355
Excess (deficiency) of revenue over expenditures	(1,838)	(463)	(2,301)	509
Purchase of capital assets, net of disposals	(356)	356	—	—
Net assets, end of year	\$ 3,296	\$ 4,267	\$ 7,563	\$ 9,864

See accompanying notes to financial statements.

CHILDREN BELIEVE

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenditures	\$ (2,301)	\$ 509
Items not involving cash:		
Amortization of capital and intangible assets	463	552
Capital asset write-off	—	6
Change in fair value of investments	234	(295)
Change in non-cash operating working capital:		
Accounts receivable	(341)	627
Prepaid expenses and other	(22)	116
Accounts payable and accrued liabilities	(1,035)	1,009
Deferred contributions, net	(628)	68
	(3,630)	2,592
Investing activities:		
Change in investments, net	1,713	(201)
Purchase of capital assets and intangible assets	(356)	(319)
	1,357	(520)
Increase (decrease) in cash	(2,273)	2,072
Cash, beginning of year	5,234	3,162
Cash, end of year	\$ 2,961	\$ 5,234

See accompanying notes to financial statements.

CHILDREN BELIEVE

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2023

1. Purpose of organization:

Children Believe (the "Organization") is an international development, relief, and advocacy organization incorporated under the laws of the province of Ontario as a not-for-profit organization. The Organization is registered with the Canada Revenue Agency as a charitable organization (registration number 10691 8543 RR0001) and, accordingly is exempt from income taxes, provided requirements under the Income Tax Act (Canada) for charitable organizations are met.

The Organization is a member of ChildFund Alliance, which is a global alliance of 12 child focused organizations working collaboratively in more than 50 countries around the world.

The Organization creates a future of hope for children, families, and communities by helping them develop the skills and resources to overcome poverty and injustice. The Organization supports children around the world to overcome barriers, and to access education so they are able to dream fearlessly and be a voice for change. The Organization is helping children access healthcare, clean water and education, so they can thrive at home and at school. The Organization partners with children to help them know their rights, so they can get involved and be active, engaged citizens to effect change and be better protected. The Organization works with girls and boys to ensure they enjoy equal opportunities.

For over 60 years, the Organization has followed the example of Christ by serving the most vulnerable people in the communities in which the Organization works, especially children. The Organization serves all people regardless of age, religion, ethnicity or gender without prejudice.

The Organization gathers support from individuals, organizations and governments, both in Canada and internationally.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, Part III of the Chartered Professionals Accountants of Canada Handbook, and includes the financial information for all country offices in which the Organization operates.

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(a) Revenue recognition:

The Organization follows the deferral method of accounting for all contributions. Revenue which contains restrictions as to its use is deferred until the restrictions are fulfilled. All other revenue is recognized upon receipt.

Gifts-in-kind are valued at their estimated fair market value. The recognition of donated goods is limited to donations where the Organization takes possession or constructive value.

Investment income (loss) is recorded on an accrual basis and includes interest income, dividends, realized gains (losses) on sale of investments and changes in unrealized gains (losses) on investments.

The Organization applies for financial assistance under available government incentive programs and is included in the determination of excess (deficiency) of revenue over expenditures for the year.

(b) Allocation of expenditures:

The Organization 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 expenditures, 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 expenditures 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:

(i) 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.

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(ii) Administration:

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 the Organization.

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.

(c) Capital and intangible 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:

Canada office:	
Building	50 years
Leasehold improvements	Term of lease
Computer equipment	5 to 10 years
Office equipment and furniture	5 to 10 years
Equipment under capital leases	Term of lease
International field offices:	
Computer and field program vehicles	3 to 5 years

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

Software development	5 years
Website development	5 years
Children Believe trademark	10 years

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

2. Significant accounting policies (continued):

The Organization reviews the carrying amounts of its capital assets and intangible assets regularly. Where the capital assets or intangible assets no longer have any long-term service potential to the Organization, the excess of the net carrying amount over any residual value is recognized as an expenditure in the statement of operations.

(d) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the exchange rates prevailing at the year-end date. Gains and losses arising from these translation policies are included in the statement of operations.

Revenue and expenditures have been translated using exchange rates prevailing on the transaction date.

(e) Net assets:

(i) Unrestricted:

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

(ii) Invested in capital assets:

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

(f) Financial instruments:

The Organization 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 year when there are indicators the assets may be impaired.

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

2. Significant accounting policies (continued):

Investments consist of a portfolio of money market, bond and equity investments managed by the Organization. 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.

(g) Leases:

Leases are classified as either capital or operating. Those leases that transfer substantially all the benefits and risks of ownership of property to the Organization are accounted for as capital leases. Assets under capital lease are amortized over the useful lives of the assets. All other leases are accounted for as operating, with rental payments expensed on a straight-line basis over the term of the lease.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the related disclosure of contingent assets and liabilities 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:

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

	2023	2022
Money market	\$ 193	\$ 121
Bonds	3,284	4,275
Canadian equities	1,154	1,751
Foreign equities	704	1,135
	<u>\$ 5,335</u>	<u>\$ 7,282</u>

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

4. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 1,093	\$ —	\$ 1,093	\$ 1,093
Building	3,724	1,350	2,374	2,462
Computer equipment	472	280	192	99
Office equipment and furniture	260	190	70	100
Field program vehicles	633	608	25	46
	\$ 6,182	\$ 2,428	\$ 3,754	\$ 3,800

5. Intangible assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Software development	\$ 1,498	\$ 1,219	\$ 279	\$ 282
Website development	636	493	143	193
Children Believe trademark	118	27	91	99
	\$ 2,252	\$ 1,739	\$ 513	\$ 574

6. Deferred contributions:

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

	2023	2022
Balance, beginning of year	\$ 4,083	\$ 4,015
Amounts received	11,432	11,148
Amounts recognized as revenue	(12,060)	(11,080)
Balance, end of year	3,455	4,083
Less long-term portion	145	145
	\$ 3,310	\$ 3,938

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

7. Bank credit facility:

The Organization has the following credit facilities:

- overdraft facility of up to \$1,000 with interest on any borrowing calculated at the prime bank lending rate;
- credit card facility of \$250;
- forward exchange contract facility with contract terms up to one year; and
- a demand loan that bears interest at the bank's prime lending rate, secured by a collateral mortgage on the head office property and a general security agreement. The Organization has the option to repay in full at any time without penalty.

As of March 31, 2023, the outstanding balance is \$101 on its credit card (2022 - nil).

8. Commitments:

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

2024	\$ 153
2025	75
2026	29
2027	29

9. Risk management:

(a) 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. The Organization is exposed to credit risk on accounts receivable. The Organization's credit risk is considered to be low as accounts receivable are primarily harmonized sales tax recoveries receivable from the government and accrued interest on investments. There has been no change to the risk exposures from 2022.

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

9. Risk management (continued):

(b) Liquidity risk:

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

The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash flows to fund its operations and to meet its liabilities when due, under both normal and stressed conditions. Under the unusual situation in the current year related to COVID-19, management took actions to minimize the liquidity risk by cutting unnecessary spending.

(c) Market risk:

The Organization's market risk comprises foreign currency risk and other price risk:

- Foreign currency risk:

The Organization's cash flows involve Canadian funds received from Canadian donors that are sent to the Organization's countries of operation where foreign currencies are then used to complete program activities. Foreign currency risk arises as a result of changes in foreign exchange rates. The Organization's foreign exchange risk is considered to be low and there has been no change to the risk exposure from 2022. In the current year, foreign exchange gain was \$434 (2022 - \$391 loss).

- 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). The Organization is exposed to other price risk through its investments. There has been no change to the risk exposures from 2022.

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

10. Grants:

	2023	2022
Contributions from Global Affairs Canada	\$ 1,780	\$ 2,714
Other grants	4,006	2,328
	<u>\$ 5,786</u>	<u>\$ 5,042</u>

11. Investment income (loss):

Investment income (loss) is comprised of the following:

	2023	2022
Interest income	\$ 365	\$ 95
Foreign exchange gain (loss)	434	(391)
Unrealized gains (losses) on investments	(234)	295
	<u>\$ 565</u>	<u>\$ (1)</u>

12. Alberta fundraising expenditures:

During the year, the Organization incurred nil (2022 - \$43) of remuneration costs paid to employees based on the estimated time spent on fundraising in the Province of Alberta and nil (2022 - nil) in direct expenditures 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.

13. Allocation of expenditures:

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

CHILDREN BELIEVE

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2023

13. Allocation of expenditures (continued):

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

	2023	2022
Program services:		
Health and nutrition	\$ 122	\$ 162
Education	632	663
Strengthening community organizations	164	130
Sustainable economic development	41	48
Water and sanitation	34	21
Emergency response	35	11
	<u>\$ 1,028</u>	<u>\$ 1,035</u>

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

15. Subsequent event:

Prior to year end, the Board of Directors accepted an offer of \$10,000 for the sale of the Organization's property at 1200 Denison Street, Markham, Ontario.

Subsequent to year end, on May 2, 2023 all conditions were waived with a closing date of May 31, 2023 resulting in a gain of \$6,485 as of that date.