

**Christian Children's Fund
of Canada**

**Financial Statements
March 31, 2019**



Independent auditor's report

To the Members of Christian Children's Fund of Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Christian Children's Fund of Canada (CCFC) as at March 31, 2019 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.

What we have audited

CCFC's financial statements comprise:

- the statement of financial position as at March 31, 2019;
 - 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
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of CCFC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

PricewaterhouseCoopers LLP
400 Bradwick Drive, Suite 100, Concord, Ontario, Canada L4K 5V9
T: +1 905 326 6800, F: +1 905 326 5339

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing CCFC'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 CCFC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CCFC'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 these 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.
- 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 CCFC'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 CCFC'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 CCFC 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.



We 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Concord, Ontario
July 12, 2019

Christian Children's Fund of Canada

Statement of Financial Position

As at March 31, 2019

(in thousands of dollars)

	2019 \$	2018 \$
Assets		
Current assets		
Cash	5,611	1,779
Accounts receivable	352	444
Prepaid expenses and other	285	218
	<u>6,248</u>	<u>2,441</u>
Investments (note 3)	5,794	5,390
Capital assets (note 4)	4,055	4,479
Intangible assets (note 5)	861	1,137
	<u>16,958</u>	<u>13,447</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,879	2,804
Deferred contributions (note 6)	4,282	3,480
Demand loan (note 7)	403	604
	<u>8,564</u>	<u>6,888</u>
Deferred contributions (note 6)	145	145
	<u>8,709</u>	<u>7,033</u>
Net Assets		
Unrestricted	3,736	1,403
Invested in capital assets	4,513	5,011
	<u>8,249</u>	<u>6,414</u>
	<u>16,958</u>	<u>13,447</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, 2019

(in thousands of dollars)

	2019 \$	2018 \$
Revenue		
Sponsorship support for children, families and communities	18,131	18,969
Donated goods	8,523	7,152
Special gifts for children	2,034	2,361
Contributions from Global Affairs Canada	6,585	4,107
General contributions	769	819
Specific project appeals	2,963	3,134
Grants	528	696
Bequests	1,770	580
Investment income	129	88
	<u>41,432</u>	<u>37,906</u>
Expenditures		
Program services		
Health and nutrition	15,397	15,015
Education	10,317	7,647
Strengthening community organizations	2,858	3,269
Sustainable economic development	1,897	1,154
Water, sanitation and hygiene	774	1,124
Emergency response	48	354
Fundraising (note 10)	4,681	5,430
Administration (note 11)	3,877	3,549
	<u>39,849</u>	<u>37,542</u>
Excess of revenue over expenditures before the undernoted	1,583	364
Change in fair value of foreign exchange contracts	(72)	(262)
Change in fair value of investments	324	53
Excess of revenue over expenditures for the year	<u>1,835</u>	<u>155</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, 2019

(in thousands of dollars)

			2019	2018
	Unrestricted \$	Invested in capital assets \$	Total \$	Total \$
Net assets – Beginning of year	1,403	5,011	6,414	6,259
Excess (deficiency) of revenue over expenditures for the year	2,856	(1,021)	1,835	155
Purchase of capital assets	(322)	322	-	-
Payment of obligations – mortgage	(201)	201	-	-
Net assets – End of year	3,736	4,513	8,249	6,414

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, 2019

(in thousands of dollars)

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	1,835	155
Items not affecting cash		
Donated goods and related contributions	8,523	7,152
Support and contributions to affiliated programs	(8,523)	(7,152)
Amortization of capital and intangible assets (note 11)	734	567
Loss on disposal of capital assets	288	-
Change in fair value of investments	(324)	(53)
Reinvested investment income	(80)	(188)
Changes in non-cash operating working capital items		
Accounts receivable	92	(19)
Prepaid expenses and other	(67)	165
Accounts payable and accrued liabilities	1,075	145
Deferred contributions – net	802	(1,741)
	4,355	(969)
Investing activities		
Purchase of capital assets	(322)	(478)
Financing activities		
Payment of obligations – mortgage	(201)	(201)
Change in cash during the year	3,832	(1,648)
Cash – Beginning of year	1,779	3,427
Cash – End of year	5,611	1,779

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

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2019

(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:

- Sponsorship support for children, families and communities

Sponsorship support received, which 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.

- 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.

- General contributions and undesignated bequests

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

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2019

(in thousands of dollars)

- **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 Global Affairs Canada, Trade and Development, designated bequests and grants.

Allocation of expenditures

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, CCFC allocates certain of the fundraising and administration expenditures that benefit individual program services on the following bases:

- **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.

- **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 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.

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2019

(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
Leasehold improvements	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 three to five years.

CCFC 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 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.

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

Notes to Financial Statements

March 31, 2019

(in thousands of dollars)

Leases

Leases are classified as either capital or operating. Those leases that transfer substantially all the benefits and risks of ownership of property to CCFC 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.

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, 2019 are as follows:

	2019 \$	2018 \$
Money market	286	106
Bonds	2,604	2,461
Canadian equities	1,939	1,857
Foreign equities	965	966
	<u>5,794</u>	<u>5,390</u>

Foreign exchange forward contracts

CCFC entered into various foreign exchange forward contracts in the normal course of operations. As at March 31, 2019, CCFC had no outstanding contracts. All derivative gains or losses have been included in fair value change of foreign exchange contracts in the statement of operations.

4 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	1,093	-	1,093	1,093
Building	3,716	998	2,718	2,806
Leasehold improvements	10	-	10	-
Computer equipment	184	144	40	379
Office equipment and furniture	114	73	41	40
Equipment under capital leases	85	72	13	27
Field program vehicles	639	499	140	134
	<u>5,841</u>	<u>1,786</u>	<u>4,055</u>	<u>4,479</u>

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2019

(in thousands of dollars)

5 Intangible assets

Intangible assets consist of computer software and website development costs totalling \$1,220 (2018 – \$3,618) of cost and \$358 (2018 – \$2,481) of accumulated amortization.

CCFC disposed of intangible assets amounting to \$287 (2018 – \$nil) during the year.

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:

	2019 \$	2018 \$
Balance – Beginning of year	3,625	5,366
Amounts received	11,545	7,109
Amounts recognized as revenue	(10,743)	(8,850)
	<hr/>	<hr/>
Balance – End of year	4,427	3,625
Less: Long-term portion	145	145
	<hr/>	<hr/>
	4,282	3,480

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%; \$nil (2018 – \$nil) has been drawn as at March 31, 2019;
- 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 bearing 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, 2019, the outstanding balance is \$403 (2018 – \$604).

Interest expense included in administration expense amounted to \$20 (2018 – \$25) for the year.

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2019

(in thousands of dollars)

8 Contingencies and commitments

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

	\$
2020	247
2021	115
2022	26
	<hr/>
	388
	<hr/>

9 Risk management

Credit risk

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

Liquidity risk

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

Market risk

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

- Foreign currency risk

CCFC's cash flows involve Canadian funds received from Canadian donors that are sent to CCFC's countries of operation where foreign currencies are then used to complete program activities. Foreign currency risk arises as a result of the possibility of cash flows fluctuating because of changes in foreign exchange rates. CCFC manages the foreign currency risk through its foreign exchange forward contracts and as a result, CCFC's foreign exchange risk is considered to be low. In the current year, foreign exchange losses were \$72 (2018 – loss of \$262).

- 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.

Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2019

(in thousands of dollars)

10 Alberta fundraising expenditures

During the year, CCFC incurred \$21 (2018 – \$26) of remuneration costs paid to employees based on the estimated time spent on fundraising in the Province of Alberta and \$312 (2018 – \$558) 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.

11 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:

	2019 \$	2018 \$
Program services		
Health and nutrition	388	502
Education	590	489
Strengthening community organizations	163	204
Sustainable livelihood development	108	68
Water and sanitation	44	68
Emergency response	3	27
	<hr/>	<hr/>
	1,296	1,358

Administration expenditures include the following amounts for amortization:

	2019 \$	2018 \$
Amortization expense		
Capital assets	252	152
Intangible assets	482	415
	<hr/>	<hr/>
	734	567

12 Comparative figures

Certain comparative amounts have been restated to correspond to the current year's presentation. In particular, in the statement of cash flows, purchases of investments of \$875 were decreased to \$nil, proceeds from sale of investments of \$687 were decreased to \$nil and reinvested investment income of \$188 was added under operating activities.

In addition, comparative amounts have been restated on the statement of operations to reflect the change in fair value of investments of \$53 and change in fair value of foreign exchange contracts of negative \$262 removed from revenue and presented as an undernoted item.