

# **Christian Children's Fund of Canada**

Financial Statements

**March 31, 2011**

(in thousands of dollars)

# **Christian Children's Fund of Canada**

Index to Financial Statements

**March 31, 2011**

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(in thousands of dollars)

	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 14
SCHEDULE OF FUNDRAISING AND ADMINISTRATION	15

June 13, 2011

## 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, 2011 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



**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, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Pricewaterhouse Coopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Christian Children's Fund of Canada

## Statement of Financial Position

As at March 31, 2011

(in thousands of dollars)

	2011 \$	2010 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	1,330	588
Accounts receivable	363	264
Prepaid expenses and other	94	193
Donated goods in transit	-	2,237
	<u>1,787</u>	<u>3,282</u>
<b>Investments (note 3)</b>	3,667	3,947
<b>Capital assets (note 4)</b>	<u>6,278</u>	<u>6,583</u>
	<u>11,732</u>	<u>13,812</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,481	1,134
Current portion of obligations under capital leases and mortgage payable (note 6)	<u>176</u>	<u>143</u>
	1,657	1,277
<b>Deferred contributions (note 5)</b>	2,007	4,068
<b>Long-term liabilities</b>		
Long-term portion of obligations under capital leases and mortgage payable (note 6)	<u>1,644</u>	<u>1,789</u>
	<u>5,308</u>	<u>7,134</u>
<b>Net Assets</b>		
Unrestricted funds	1,901	1,962
Invested in capital assets (note 4)	4,458	4,651
Endowment	<u>65</u>	<u>65</u>
	<u>6,424</u>	<u>6,678</u>
	<u>11,732</u>	<u>13,812</u>

Approved by the Board of Directors

  
Director

  
Director

# Christian Children's Fund of Canada

## Statement of Operations

For the year ended March 31, 2011

(in thousands of dollars)

	2011 \$	2010 \$
<b>Revenue</b>		
Sponsorship support for children, families and communities	18,970	18,334
Donated goods and related contributions	23,141	15,123
General contributions	1,423	1,131
Special gifts for children	1,502	1,923
Specific project appeals	873	1,139
Bequests	318	330
Grants	811	1,194
Net realized investments gain (loss) and investment income	120	(22)
Other income	59	52
	<u>47,217</u>	<u>39,204</u>
<b>Expenditure</b>		
Program services		
Health and nutrition	27,036	19,932
Education	5,643	4,925
Strengthening community organizations	2,910	3,193
Water, sanitation and hygiene	1,772	1,964
Sustainable livelihoods development	1,824	1,348
Emergency response	180	126
	<u>39,365</u>	<u>31,488</u>
Fundraising (schedule)	5,128	4,211
Administration (schedule)	2,977	2,857
	<u>47,470</u>	<u>38,556</u>
<b>Excess (deficiency) of revenue over expenditure for the year</b>	<u>(253)</u>	<u>648</u>

# Christian Children's Fund of Canada

## Statement of Changes in Net Assets

For the year ended March 31, 2011

(in thousands of dollars)

				2011	2010
	Unrestricted	Invested in	Endowment	Total	Total
	\$	capital	\$	\$	\$
		assets			
		\$			
<b>Net assets - Beginning of year</b>	1,962	4,651	65	6,678	5,493
Excess (deficiency) of revenue over expenditure for the year	543	(796)	-	(253)	648
Purchase of other capital assets	(492)	492	-	-	-
Payment of obligations under capital leases	(30)	30	-	-	-
Payment of obligation - mortgage	(81)	81	-	-	-
Investments - available-for-sale - net changes	(1)	-	-	(1)	537
<b>Net assets - End of year</b>	<b>1,901</b>	<b>4,458</b>	<b>65</b>	<b>6,424</b>	<b>6,678</b>

# Christian Children's Fund of Canada

## Statement of Cash Flows

For the year ended March 31, 2011

(in thousands of dollars)

	2011 \$	2010 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenditure for the year	(253)	648
Items not affecting cash		
Donated goods and related contributions	23,141	15,123
Support and contributions to affiliated programs	(23,141)	(15,123)
Amortization of capital assets	795	830
Gain on sale of capital assets	(24)	-
Changes in non-cash operating working capital items		
Accounts receivable	(99)	(1)
Prepaid expenses and other	99	(12)
Donated goods in transit	2,237	(2,237)
Accounts payable and accrued liabilities	347	70
Deferred contributions	(2,061)	1,810
	<u>1,041</u>	<u>1,108</u>
<b>Financing activities</b>		
Payment of obligations under capital leases	(30)	(35)
Payment of obligation - mortgage	(124)	(116)
Net advance from mortgage	43	-
	<u>(111)</u>	<u>(151)</u>
<b>Investing activities</b>		
Net purchase of investments	281	(989)
Purchase of other capital assets	(493)	(367)
Proceeds from sale of capital assets	24	-
	<u>(188)</u>	<u>(1,356)</u>
<b>Increase (decrease) in cash during the year</b>	742	(399)
<b>Cash - Beginning of year</b>	<u>588</u>	<u>987</u>
<b>Cash - End of year</b>	<u>1,330</u>	<u>588</u>

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

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(in thousands of dollars)

## 1 Purpose of organization

Christian Children's Fund of Canada (CCFC or the organization) strives as a worldwide team to create a future of hope for children. CCFC is renowned for its compassion for children of all faiths and cultural backgrounds and is inspired by Christ's example of personal, caring love. Working side by side with its colleagues in developing countries, CCFC emphasizes a child-centred community development ministry, starting with basic assistance and leading to programs stressing self-help and eventual independence.

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 generally accepted accounting principles for not-for-profit organizations, as set out in The Canadian Institute of Chartered Accountants (CICA) Handbook. 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

Sponsorships received that are considered to be prepayments of monthly sponsorship support for children, families and communities are included with deferred contributions on the statement of financial position.

b) Donated goods

Donated goods are valued at their estimated fair value. The recognition of donated goods is limited to donations where CCFC takes possession or constructive title of the donated goods and CCFC was the original recipient of the goods, was involved in 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, which are not designated for a specific purpose, are recognized in the financial statements as revenue when received.

d) Restricted contributions

Contributions that are restricted for a designated purpose are recognized in the financial statements using the deferral method, whereby contributions related 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, designated bequests and grants.

Endowment contributions are recognized as direct increases in net assets.

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

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(in thousands of dollars)

## Allocation of expenses

The organization engages in the following program services: health and nutrition, education, strengthening community organizations, water, sanitation and hygiene, and sustainable livelihoods development. 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.

The organization also incurs fundraising and administration expenses, which provide benefits to the program services. The organization 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 related 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 headcount of program services over the total headcount of the organization.

Other shared costs including information technology, human resources management, insurance, and equipment rental are allocated to program services based on headcount and other bases deemed to be appropriate.

Amounts allocated from fundraising and administration are detailed in note 9. The schedule of fundraising and administration details the unallocated amounts.

## Capital assets

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

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

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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
Computer, customized software, office equipment 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 years

## Net assets

- Unrestricted funds

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

- 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

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification, as described below. The classification depends on the purpose for which these financial instruments were acquired or issued, their characteristics and the organization's designation of such instruments. The standards require that all financial assets be classified as held-for-trading (HFT), available-for-sale (AFS), held-to-maturity (HTM) or loans and receivables. Financial liabilities should be classified as HFT or as other liabilities.

Financial instrument	Category	Measurement
Cash	held-for-trading	fair value
Accounts receivable	loans and receivables	amortized cost
Investments	available-for-sale	fair value
Accounts payable and accrued liabilities	other liabilities	amortized cost
Mortgage payable	other liabilities	amortized cost

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

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(in thousands of dollars)

Assets classified as AFS will have revaluation gains and losses included in the statement of changes in net assets (and not included in the statement of operations) until such time as the financial asset is disposed of or incurs a decline in fair value that is other than temporary. At such time, any gains or losses will then be realized and reclassified to the statement of operations. Transaction costs related to items classified as AFS are expensed as incurred.

The organization has chosen to apply CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in place of Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

## Financial instrument risks

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

- Credit risk

CCFC is exposed to credit risk on accounts receivable. The organization's credit risk is considered to be low.

- Liquidity risk

CCFC believes it has low liquidity risk given the makeup of its accounts payable and accrued liabilities.

- Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of CCFC. Short-term instruments (accounts receivable, accounts payable and accrued liabilities) are not subject to market risk. The organization's market risk is considered to be low.

## Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 such estimates.

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

(in thousands of dollars)

## 3 Investments

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

	2011		2010	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Bonds	1,791	1,768	2,342	2,461
Common and preferred shares	1,436	1,254	1,585	1,086
Treasury bills and money market funds	-	-	19	19
Mutual funds	853	645	415	381
	<u>4,080</u>	<u>3,667</u>	<u>4,361</u>	<u>3,947</u>

## 4 Capital assets

Capital assets consist of the following:

	2011		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,093	-	1,093
Building	3,382	295	3,087
Computer equipment and customized software	4,297	2,553	1,744
Office equipment and furniture	414	280	134
Equipment under capital leases	154	126	28
Field program vehicles	344	152	192
	<u>9,684</u>	<u>3,406</u>	<u>6,278</u>
	2010		
	Cost \$	Accumulated amortization \$	Net \$
Land	1,093	-	1,093
Building	3,354	228	3,126
Computer equipment and customized software	4,058	2,015	2,043
Office equipment and furniture	326	193	133
Equipment under capital leases	154	98	56
Field program vehicles	258	126	132
	<u>9,243</u>	<u>2,660</u>	<u>6,583</u>

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

(in thousands of dollars)

## Invested in capital assets

Invested in capital assets consists of the following:

	2011 \$	2010 \$
Capital assets - net	6,278	6,583
Less: Capital lease obligations and mortgage loan payable	1,820	1,932
	4,458	4,651

## 5 Deferred contributions

Deferred contributions include sponsorship funds received that relate to periods subsequent to March 31, 2011 and restricted contributions, including special gifts for children, specific project appeals, designated bequests, grants and donated goods, which are to be disbursed after March 31, 2011, as set out in the following table:

	Balance - April 1, 2010 \$	Received \$	Recognized as revenue \$	Balance - March 31, 2011 \$
Sponsorship support for children, families and communities	1,005	18,972	18,970	1,007
Special gifts for children	107	1,432	1,220	319
Specific project appeals	328	875	873	330
Designated bequests	174	98	122	150
Grants	217	762	778	201
Donated goods and related contributions	2,237	20,904	23,141	-
	4,068	43,043	45,104	2,007

## 6 Capital lease obligations and mortgage loan payable

### Capital leases

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

	Capital leases \$	Mortgage payable \$	Total \$
2012	33	227	260
2013	-	227	227
2014	-	227	227
2015	-	227	227
2016	-	1,214	1,214

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

(in thousands of dollars)

	Capital leases \$	Mortgage payable \$	Total \$
Total minimum lease/mortgage payments	33	2,122	2,155
Less: Interest expense	1	334	335
Balance of obligation	32	1,788	1,820
Less: Current portion	32	144	176
	-	1,644	1,644

The mortgage bears interest at a rate of 4.77% per annum, calculated semi-annually; it is being amortized over ten years and has a term of five years ending on February 14, 2016. The mortgage is secured by the head office property. Interest expense is as follows:

	2011 \$	2010 \$
Capital leases	3	8
Mortgage payable	111	121
	114	129

## Operating leases

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

	\$
2012	124
2013	69
2014	52
	245

## 7 Contingent gain

CCFC is the beneficiary under various life insurance policies, which vest irrevocably with CCFC. All premiums due 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 (2010 - \$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.

# Christian Children's Fund of Canada

Notes to Financial Statements

March 31, 2011

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(in thousands of dollars)

## 8 Management of capital

CCFC defines its capital as its net assets.

The objective of CCFC when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide sufficient funding for its mission.

\$65 (2010 - \$65) of CCFC's capital is externally restricted where only the interest from the endowments in the noted amount may be used in various CCFC operations. CCFC has been in compliance with all external restrictions throughout the year.

## 9 Allocation of expenses

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

Fundraising expenses are stated after allocation of the following amounts:

	2011 \$	2010 \$
Program services		
Health and nutrition	14	17
Education	23	26
Strengthening community organizations	14	18
Water, sanitation and hygiene	8	12
Sustainable livelihoods development	6	8
	<hr/> 65	<hr/> 81

Administration expenses are stated after allocation of the following amounts:

	2011 \$	2010 \$
Program services		
Health and nutrition	247	236
Education	391	349
Strengthening community organizations	234	251
Water, sanitation and hygiene	133	157
Sustainable livelihoods development	99	107
	<hr/> 1,104	<hr/> 1,100

## 10 Comparative figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.

# Christian Children's Fund of Canada

## Schedule of Fundraising and Administration

For the year ended March 31, 2011

(in thousands of dollars)

	2011	
	Fundraising \$	Administration \$
Salaries and benefits	874	1,874
Advertising	3,979	-
Legal and audit	-	107
Consulting	71	236
Data processing	26	65
Amortization	51	127
Equipment rental and maintenance	14	36
General office	8	21
Insurance	2	4
Postage and delivery	45	62
Printing and stationery	6	12
Rent and building expenses	24	59
Telephone and fax	6	22
Travel and meetings	22	80
Administrative cost recovery	-	(48)
Interest and bank charges	-	320
	5,128	2,977

  

	2010	
	Fundraising \$	Administration \$
Salaries and benefits	769	1,686
Advertising	3,197	-
Legal and audit	-	89
Consulting	79	267
Data processing	20	82
Amortization	40	162
Equipment rental and maintenance	8	33
General office	5	18
Insurance	2	8
Postage and delivery	44	65
Printing and stationery	5	16
Rent and building expenses	14	57
Telephone and fax	9	18
Travel and meetings	19	64
Administrative cost recovery	-	(71)
Interest and bank charges	-	363
	4,211	2,857