Christian Children's Fund of Canada

Financial Statements
March 31, 2013, March 31, 2012 and April 1, 2011

Christian Children's Fund of Canada

Index to Financial Statements

March 31, 2013, March 31, 2012 and April 1, 2011

(in thousands of dollars)

July 31, 2013

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 statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. We conducted our audits 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 in our audits 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 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

Statements of Financial Position

(in thousands of dollars)

	March 31, 2013 $	March 31, 2012 $ (note 2)	April 1, 2011 $ (note 2)
Assets			
Current assets			
Cash	1,036	769	1,330
Accounts receivable	382	379	363
Prepaid expenses and other	111	93	94
	1,529	1,241	1,787
Investments (note 4)	4,608	4,443	3,667
Capital assets (note 5)	6,014	6,112	6,278
	12,151	11,796	11,732
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	1,453	1,652	1,481
Current portion of obligations under capital leases and mortgage payable (note 7)	178	170	176
	1,631	1,822	1,657
Deferred contributions (note 6)	2,243	1,817	2,007
Long-term liabilities			
Long-term portion of obligations under capital leases and mortgage payable (note 7)	1,384	1,562	1,644
	5,258	5,201	5,308
Net Assets			
Unrestricted funds	2,176	2,150	1,901
Invested in capital assets (note 5)	4,452	4,380	4,458
Internally restricted - emergency response	200	-	-
Endowment	65	65	65
	6,893	6,595	6,424
	12,151	11,796	11,732

Approved by the Board of Directors

Robert G. Blunden

____________________ Director ____________________ Director

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

Christian Children's Fund of Canada

Statements of Operations

For the years ended March 31, 2013 and March 31, 2012

(in thousands of dollars)

	2013 $	2012 $ (note 2)
Revenue		
Sponsorship support for children, families and communities	20,133	19,870
Donated goods and related contributions	9,952	20,059
Special gifts for children	2,025	2,070
General contributions	1,716	2,108
Specific project appeals	1,432	792
Contributions from Foreign Affairs, Trade and Development Canada	1,180	392
Grants	568	707
Bequests	336	419
Investment income	118	78
Other income	36	45
	37,496	46,540
Expenditure		
Program services		
Health and nutrition	14,625	24,653
Education	8,103	5,989
Strengthening community organizations	2,915	3,891
Sustainable livelihoods development	1,899	1,648
Water, sanitation and hygiene	1,288	1,564
Emergency response	392	332
Fundraising (note 9)	5,369	5,017
Administration (note 9)	2,640	3,281
	37,231	46,375
Excess of revenue over expenditure from operations	265	165
Fair value change in investments	33	6
Excess of revenue over expenditure	298	171

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

Christian Children's Fund of Canada

Statements of Changes in Net Assets

For the years ended March 31, 2013 and March 31, 2012

(in thousands of dollars)

					2013
	Unrestricted $	**Invested in capital assets** $	**Internally restricted - emergency response** $	**Endowment** $	**Total** $
Net assets - Beginning of year	2,150	4,380	-	65	6,595
Excess (deficiency) of revenue over expenditure	941	(643)	-	-	298
Purchase of capital assets	(545)	545	-	-	-
Payment of obligations - capital lease	(18)	18	-	-	-
Payment of obligations - mortgage	(152)	152	-	-	-
Interfund - transfers	(200)	-	200	-	-
Net assets - End of year	2,176	4,452	200	65	6,893

				2012
	Unrestricted $	**Invested in capital assets** $	**Endowment** $	**Total** $ (note 2)
Net assets - Beginning of year	1,901	4,458	65	6,424
Excess (deficiency) of revenue over expenditure	934	(763)	-	171
Purchase of capital assets	(630)	630	-	-
Net disposals of capital assets	43	(43)	-	-
Additions to obligations under capital lease	103	(103)	-	-
Decrease in obligations under capital lease	(47)	47	-	-
Proceeds from sale of capital asset	(10)	10	-	-
Payment of obligation - mortgage	(144)	144	-	-
Net assets - End of year	2,150	4,380	65	6,595

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

Christian Children's Fund of Canada

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

(in thousands of dollars)

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditure	298	171
Items not affecting cash		
Donated goods and related contributions	9,952	20,059
Support and contributions to affiliated programs	(9,952)	(20,059)
Amortization of capital assets	643	753
Loss on sale of capital assets	-	10
Changes in non-cash operating working capital items		
Accounts receivable	(3)	(16)
Prepaid expenses and other	(18)	1
Accounts payable and accrued liabilities	(199)	171
Deferred contributions, net (note 6)	426	(190)
	1,147	900
Financing activities		
Payment of obligations - capital leases	(18)	(24)
Payment of obligations - mortgage	(152)	(144)
	(170)	(168)
Investing activities		
Net increase in investments	(165)	(776)
Purchase of capital assets	(545)	(527)
Proceeds from sale of capital assets	-	10
	(710)	(1,293)
Increase (decrease) in cash during the year	267	(561)
Cash - Beginning of year	769	1,330
Cash - End of year	1,036	769

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

(in thousands of dollars)

1 Purpose of organization

Christian Children's Fund of Canada (CCFC) creates a future of hope for children, families and communities by helping them develop the skills and resources to overcome poverty and pursue justice.

For more than 50 years, CCFC has followed the example of Christ by serving the poor regardless of their faith, cultural and ethnic background.

A member of ChildFund Alliance, CCFC is part of a global association of 12 child-focused organizations working in more than 50 countries.

CCFC is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is registered as a charity under the Income Tax Act (Canada).

2 Transition to Canadian accounting standards for not-for-profit organizations

Effective April 1, 2012, CCFC elected to adopt Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) - Part III of The Canadian Institute of Chartered Accountants (CICA) Handbook as issued by the Canadian Accounting Standards Board. Subject to certain transition elections, the accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The following is the only adjustment made by CCFC on transition to ASNPO:

a) Statement of operations

			$
Excess of revenue over expenditure for the year ended March 31, 2012 - as previously reported			124
Reclassification of realized loss previously recorded as revenue			41
			165
Reclassification of realized loss to fair value change in investments	$	(41)	
Unrealized gains on investments previously recorded as an adjustment to net assets (i)		47	6
			171

i) The excess of revenue over expenditure for the year ended March 31, 2012 increased by $47 to reflect the change in fair value of investments in equity securities quoted in an active market. Prior to the transition, changes in the fair value of these investments were recorded in the statement of changes in net assets.

b) In accordance with Section 1501, First-Time Adoption by Not-for-Profit Organizations, CCFC has exercised an exemption to designate bonds at fair value. As bonds were previously measured at fair value, the resulting impact on the financial statements is $nil. CCFC also elected to exercise the exemption for retrospective application of Section 3856, Financial Instruments, prior to the transition date, April 1, 2011.

The transition to ASNPO had no significant impact on the statements of financial position, statements of changes in net assets and statements of cash flows generated by the CCFC.

(in thousands of dollars)

3 Summary of significant accounting policies

The financial statements have been prepared by management in accordance with ASNPO. The more significant of the accounting policies are outlined below:

Revenue

Revenue is derived from the following significant sources:

a) Sponsorship support for children, families and communities

Sponsorships received that are considered to be prepayments of monthly sponsorship support for children, families and communities are included in deferred contributions on the statements 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 a partnership with the end-user agency or the goods were used in CCFC programs. Donated goods are recorded as revenue at such time as the goods are deployed for charitable purposes to the end-user agencies.

c) General contributions and undesignated bequests

General contributions and undesignated bequests from the public, 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 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 Canadian International Development Agency, designated bequests and grants.

Endowment contributions are recognized as direct increases in net assets.

Allocation of expenses

CCFC engages in the following program services: health and nutrition, education, strengthening community organizations, sustainable livelihoods development, water sanitation and hygiene and emergency response. Expenses relating to program services are initially recorded by the appropriate expense classification. These expenses are reclassified to the program service categories based on information provided by end-users. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program services.

(in thousands of dollars)

CCFC also incurs fundraising and administration expenses, which provide benefits to the program services. CCFC allocates certain of its fundraising and administration expenses to program services based on the estimated level of benefit received by each program service. The appropriate basis of allocation is identified for each component expense, as described below, and is applied consistently each year.

Fundraising and administration expenses are allocated to program services as follows:

- Fundraising

  Expenses relating to the semi-annual publication, ChildVoice, are allocated to program services based on the total costs times the percentage of content relating to each of the individual program service categories.

- Administration

  General support personnel costs are allocated to program services based on the percentage of the relevant employees' time involved in supporting program services.

  Premises costs are allocated to program services based on the head count of program services over the total head count of CCFC.

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

  Amounts allocated from fundraising and administration are detailed in note 9.

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.

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

Head office	
Building	50 years
Computer and office equipment, customized software and furniture	5 to 10 years
Equipment under capital leases	term of the lease
International field offices	
Computer and office equipment, furniture and field program vehicles	3 years

CCFC reviews the carrying amounts of its long-lived assets regularly. Where the long-lived 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 statements of operations.

(in thousands of dollars)

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.

- Internally restricted - emergency response

  Internally restricted-emergency response funds represent amounts set aside by the Board of Directors for future emergency response activities.

- Endowment

  Endowment contributions are required to be maintained on a permanent basis and only the income derived therefrom is available to support organizational activities.

Financial instruments

CCFC initially measures all its financial assets and financial liabilities at fair value and subsequently at amortized cost, except for investments that are recorded at fair value. Changes in fair value are recognized in the statements of operations. Financial assets are tested for impairment at the end of each reporting period where there are indicators the assets may be impaired.

Investments consist of a portfolio of bond, equity and mutual fund 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.

Risk management

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

- Credit risk

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

(in thousands of dollars)

- Liquidity risk

  Liquidity risk is the risk that 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 mortgages and capital leases payable. CCFC manages its cash flows regularly to ensure reasonably prompt liquidation of its obligations.

- Market risk

  CCFC’s market risk comprises foreign currency risk and other price risk, as noted below.

  - Foreign currency risk

    Foreign currency risk arises from the possibility of future cash flows fluctuating because of changes in foreign exchange rates. CCFC’s foreign exchange risk is considered to be low. In the current year, foreign exchange gains were $15 (2012 - losses of $40).

  - 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 price risk through its investments. CCFC’s estimate of the effect as at March 31, 2013 due to a 1% increase or decrease in the market value of long-term investments, with all other variables held constant, would approximately amount to an increase or decrease of $46 (2012 - $44). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure at the date of the financial statements and the reported amounts of revenue and expenditure during the year. Actual results could differ from those estimates.

4 Investments

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

	2013 $	2012 $
Bonds	1,895	1,494
Common shares	1,398	1,070
Preferred shares	1,315	1,291
Mutual funds	-	588
	4,608	4,443

(in thousands of dollars)

5 Capital assets

Capital assets consist of the following:

			2013
	Cost $	Accumulated amortization $	Net $
Land	1,093	-	1,093
Building	3,607	438	3,169
Computer equipment and customized software	4,937	3,472	1,465
Office equipment and furniture	466	409	57
Equipment under capital leases	103	36	67
Field program vehicles	442	279	163
	10,648	4,634	6,014

			2012
	Cost $	Accumulated amortization $	Net $
Land	1,093	-	1,093
Building	3,382	362	3,020
Computer equipment and customized software	4,707	3,058	1,649
Office equipment and furniture	458	364	94
Equipment under capital leases	103	17	86
Field program vehicles	365	195	170
	10,108	3,996	6,112

Invested in capital assets

Invested in capital assets consists of the following:

	2013 $	2012 $
Capital assets - net	6,014	6,112
Less: Capital lease obligations and mortgage loan payable (note 7)	1,562	1,732
	4,452	4,380

(in thousands of dollars)

6 Deferred contributions

Deferred contributions include sponsorship funds received that relate to periods subsequent to March 31, 2013 and restricted contributions, including special gifts for children, specific project appeals, designated bequests, grants and contributions from the Canadian International Development Agency, which are to be disbursed after March 31, as set out below:

				2013
	Balance - Beginning of year $	Received $	Recognized as revenue $	Balance - End of year $
Sponsorship support for children, families and communities	916	20,138	20,133	921
Specific project appeals	409	1,317	1,159	567
Designated bequests	210	-	61	149
Special gifts for children	148	1,626	1,646	128
Grants	95	518	497	116
Contributions from Canadian International Development Agency	39	1,342	1,019	362
	1,817	24,941	24,515	2,243

				2012
	Balance - Beginning of year $	Received $	Recognized as revenue $	Balance - End of year $
Sponsorship support for children, families and communities	1,007	19,779	19,870	916
Special gifts for children	319	1,499	1,670	148
Specific project appeals	330	871	792	409
Designated bequests	150	88	28	210
Contributions from Canadian International Development Agency	-	381	342	39
Grants	201	542	648	95
	2,007	23,160	23,350	1,817

(in thousands of dollars)

7 Capital lease obligations and mortgage payable

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

	Capital leases $	Mortgage payable $	Total $
2014	21	227	248
2015	21	227	248
2016	21	1,214	1,235
2017	12	-	12
Total minimum lease/mortgage payments	75	1,668	1,743
Less: Interest expense	5	176	181
Balance of obligation	70	1,492	1,562
Less: Current portion	18	160	178
	52	1,332	1,384

The mortgage bears interest at a rate of 4.77% per annum, calculated semi-annually; it is amortized over ten years and has a term of five years maturing on February 14, 2016. The mortgage is secured by the head office property and a general security agreement.

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

	2013 $	2012 $
Capital leases	3	3
Mortgage payable	75	82
	78	85

Operating leases

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

	$
2014	128
2015	76
2016	58
2017	14
	276

(in thousands of dollars)

8 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 (2012 - $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.

9 Allocation of expenses

As described in note 3, certain expenses are allocated from fundraising and administration to program services.

Fundraising expenses are stated after allocation of the following amounts:

	2013 $	2012 $
Program services		
Health and nutrition	40	20
Education	12	31
Strengthening community organizations	4	22
Water, sanitation and hygiene	2	9
Sustainable livelihoods development	3	6
Emergency response	1	1
	62	89

Administration expenses are stated after allocation of the following amounts:

	2013 $	2012 $
Program services		
Health and nutrition	717	258
Education	218	393
Strengthening community organizations	64	275
Water, sanitation and hygiene	32	111
Sustainable livelihoods development	62	85
Emergency response	18	10
	1,111	1,132