

Financial statements of

Save the Children Canada

Nine months ended December 31, 2009

Save the Children Canada

December 31, 2009

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Auditors' Report

To the Members of
Save the Children Canada

We have audited the statement of financial position of Save the Children Canada as at December 31, 2009 and the statements of operations, changes in net assets and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Organization derives revenue from the general public and government organizations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, assets and net assets. In addition, the Organization has field offices in many countries. We were unable to verify the revenue and certain local expenses of the field offices due to their location and there were no alternative audit procedures that we could perform to verify these amounts.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the matters described in the above paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2009 and the results of its operations and its cash flows for the nine-month period then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
April 30, 2010

Save the Children Canada

Statement of financial position as at December 31, 2009

	December 31, 2009	March 31, 2009
	\$	\$
Assets		
Current		
Cash (Notes 4 and 5)	4,643,530	11,810,314
Marketable securities (Notes 4 and 6)	1,150,896	1,106,879
Accounts receivable (Note 7)	8,971,646	2,314,319
Prepaid expenses	156,325	174,406
	14,922,397	15,405,918
Long-term investments (Notes 4 and 8)	236,201	346,056
Capital assets (Note 9)	60,724	86,260
	296,925	432,316
	15,219,322	15,838,234
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	1,668,336	975,392
Deferred revenue (Note 10)	12,038,975	13,771,655
	13,707,311	14,747,047
Net assets		
General Fund	25,409	216,361
Reserve Fund	1,486,602	874,826
	1,512,011	1,091,187
	15,219,322	15,838,234

On behalf of the Board

_____ Director

_____ Director

Save the Children Canada

Statement of operations

nine-month period ended December 31, 2009

			Nine months ended December 31, 2009	Year ended March 31, 2009
	General Fund	Reserve Fund	Total	Total
	\$	\$	\$	\$
Revenue				
Contributions	4,080,115	-	4,080,115	4,480,025
Canadian International Development Agency ("CIDA")	9,334,058	-	9,334,058	11,608,078
International grants	2,098,155	-	2,098,155	2,252,852
MODA ("Member Organizational Development Approach") investment (Note 11)	1,166,148	-	1,166,148	1,179,588
Interest and other income	97,612	14,065	111,677	37,576
Bequests	-	1,424,705	1,424,705	897,019
Total revenue	16,776,088	1,438,770	18,214,858	20,455,138
Program expenses - Schedule				
International	13,889,582	-	13,889,582	16,825,150
Canadian	100,054	-	100,054	39,813
	13,989,636	-	13,989,636	16,864,963
Operating and other expenses				
Fundraising (Note 11)	2,491,306	177,994	2,669,300	2,385,419
Foreign exchange loss	136,890	-	136,890	98,473
Loss on disposal of assets	-	-	-	47,338
General administration	1,033,006	-	1,033,006	967,586
Amortization	29,936	-	29,936	52,025
	3,691,138	177,994	3,869,132	3,550,841
Total expenses	17,680,774	177,994	17,858,768	20,415,804
(Deficiency) excess of revenue over expenses	(904,686)	1,260,776	356,090	39,334

Save the Children Canada

Statement of changes in net assets
 nine-month period ended December 31, 2009

	General Fund			Reserve	Nine months ended December 31, 2009	Year ended March 31, 2009
	Operations	Invested in capital assets	Total	Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Accumulated excess (deficiency) of revenue over expenses, beginning of period	157,008	86,260	243,268	874,826	1,118,094	1,078,760
(Deficiency) excess of revenue over expenses for the period	(874,750)	(29,936)	(904,686)	1,260,776	356,090	39,334
Inter-fund transfer (Note 13)	649,000	-	649,000	(649,000)	-	-
Additions to capital assets	(4,400)	4,400	-	-	-	-
Accumulated excess of revenue over expenses, end of period	(73,142)	60,724	(12,418)	1,486,602	1,474,184	1,118,094
Unrealized gain reported directly in the statement of changes in net assets, beginning of period	(26,907)	-	(26,907)	-	(26,907)	37,746
Change in unrealized gain on investments during the period	80,057	-	80,057	-	80,057	(101,668)
Reclassification of gains recognized in the statement of operations on available for sale financial assets	(15,323)	-	(15,323)	-	(15,323)	37,015
Unrealized (loss) gain reported directly in the statement of changes in net assets, end of period	37,827	-	37,827	-	37,827	(26,907)
Fund balances, end of period	(35,315)	60,724	25,409	1,486,602	1,512,011	1,091,187

Save the Children Canada

Statement of cash flows

nine-month period ended December 31, 2009

	Nine months ended December 31, 2009	Year ended March 31, 2009
	\$	\$
Operating activities		
Excess of revenue over expenses	356,090	39,334
Item not affecting cash flows		
Amortization	29,936	52,025
Change in unrealized gain (loss) on investments during the period	80,057	(101,668)
Reclassification of (gains) loss recognized in the statement of operations on available for sale financial assets	(15,323)	37,015
Loss on disposal of assets	-	47,338
	450,760	74,044
Changes in working capital items		
Accounts receivable	(6,657,327)	(857,236)
Prepaid expenses	18,081	(105,004)
Accounts payable and accrued liabilities	692,944	425,424
Deferred revenue	(1,732,680)	9,008,303
	(7,228,222)	8,545,531
Investing activities		
Net change in marketable securities	(94,953)	350,736
Net change in long-term investments	160,791	440,642
Purchase of capital assets	(4,400)	(38,582)
	61,438	752,796
Net (decrease) increase in cash for the period	(7,166,784)	9,298,327
Cash, beginning of period	11,810,314	2,511,987
Cash, end of period	4,643,530	11,810,314

Save the Children Canada

Notes to the financial statements

December 31, 2009

1. Nature of operations

Save the Children Canada (the "Organization") is a registered charitable organization under the Canadian Income Tax Act and is incorporated under Part II of the Companies Act 1934. The Organization fights for children's rights. It delivers immediate and lasting improvements to children's lives worldwide.

The Organization changed its year end to December 31 from March 31 effective in 2009. Accordingly, the statement of operations, changes in net assets and cash flows are for a nine-month period.

2. Adoption of accounting policies

Series of Sections 4400 – Not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to several of the existing sections on accounting, measurement and financial reporting by Not-for-profit organizations contained in the 4400 series of Sections of the CICA Handbook. The adoption of these amendments has not resulted in any change in how the Organization accounts for its transactions but has resulted in a change in presentation on the statement of cash flows. Additional disclosure of allocated expenses is required and has been disclosed in Note 16.

Section 1000 – Financial statement concepts

On January 1, 2009, the Organization adopted the amendments made to Section 1000 "Financial statements concepts". The amended section requires an entity to demonstrate that any amount that is presented as an asset meets the conceptual definition of an asset or is permitted to be recorded as assets under specific CICA Handbook sections. The adoption of these amendments has not resulted in any change in how the Organization accounts for its transactions.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the Emerging Issues Committee ("EIC") issued EIC-173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the valuation of the Organization's financial assets and liabilities.

3. Summary of significant accounting policies

Basis of presentation

These financial statements include the activities of the National Headquarters of Save the Children Canada and the operating activities of its field offices located in Burkina Faso, Ethiopia, Kenya, and the regional office in Bolivia. Contributions received by National Headquarters that are sent to the field offices are recognized as revenue when the related expenses have been incurred. Contributions received in excess of expenses are recorded as deferred revenue, which is equal to the cash held at the field office and the advances to other Partners as recorded on the field office's balance sheet. Expenses incurred locally at the field offices, and the related revenue, are recorded in these financial statements based on the amounts reported to National Headquarters.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the deferral method of reporting restricted contributions, and reflect the following significant accounting policies:

Save the Children Canada

Notes to the financial statements

December 31, 2009

3. Summary of significant accounting policies (continued)

Financial instruments

The Organization has classified each of its financial instruments into the following categories:

<u>Asset/liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held for trading	Fair value
Investments and Marketable Securities	Available for sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

- Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of operations.
- Available-for-sale items are carried at fair value, with changes in their fair value recognized in the Statement of changes in net assets.
- Loans and receivable are carried at amortized cost, using the effective interest method, net of any impairment.
- Other liabilities are carried at amortized cost, using the effective interest method.

As allowed under Section 3855 "Financial Instruments – Recognition and Measurement", the Organization has elected not to account for non-financial contracts as derivatives, and not to account for embedded derivatives in non-financial contracts, leases and insurance contracts as embedded derivatives.

The Organization has elected to follow the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

Cash

Cash includes advances to field offices.

Marketable securities

Marketable securities are comprised of investments with a maturity of less than one year. The fair value of marketable securities is determined directly from published bid quotations in an active market.

Capital assets

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis as follows:

Furniture, fixtures and equipment	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	Term of lease
Web site	3 years
Vehicles	5 years

Revenue recognition

The Organization uses the deferral method of accounting for contributions. Under this method restricted contributions are deferred and recognized as revenue when the expenses are incurred.

Restricted grants are recorded as deferred revenue when funds are received. These amounts are recognized as grant revenue when related program expenses have been incurred.

Investment income includes dividend and interest income and realized and unrealized investment gains and losses. Unrealized gains and losses on available-for-sale financial assets are included directly in net assets until the asset is removed from the statement of financial position.

Save the Children Canada

Notes to the financial statements

December 31, 2009

3. Summary of significant accounting policies (continued)

Fair values

The fair value of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short period to maturity of these instruments.

Expenses

Program expenses are recorded on an accrual basis. General administration and fundraising expenses are recorded on an accrual basis and represent expenses incurred in Canada.

Reserve fund

The Reserve Fund consists of funds that are internally restricted from the General Fund, are approved by the Board of Director's, and are to be used for expenses that are not typically operational in nature. All externally unrestricted revenue received through bequests is recognized in the Reserve Fund. Expenses incurred for the administration of the Reserve Fund are removed from the reserve bank account and transferred to the operating bank account.

Impairment of long-lived assets

Any impairment loss is recorded in the period in which the impairment occurs.

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 disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include investments.

Donated services

The Organization's activities include time donated by a number of volunteers. Since no objective basis exists for recording and assigning values to these donated services, they are not reflected in these financial statements.

Allocation of expenses

The Organization allocates general support costs consisting of rent and utilities, and administration expenses to program and fundraising expenses based on the estimated time spent on each activity. Such allocations are reviewed regularly by management.

Save the Children Canada

Notes to the financial statements

December 31, 2009

4. Restricted assets

Certain of the Organization's cash, marketable securities and long-term investments are restricted as follows:

	December 31, 2009	March 31, 2009
	\$	\$
Deferred revenue (Note 10)	12,038,975	13,771,655
Reserve Fund	1,486,602	874,826
	13,525,577	14,646,481
Less advances to partners (Note 7)	(8,249,774)	(2,007,848)
Total restricted	5,275,803	12,638,633
Unrestricted	754,824	624,616
Total cash, marketable securities and long-term investments	6,030,627	13,263,249
Consisting of:		
Cash	4,643,530	11,810,314
Marketable securities	1,150,896	1,106,879
Long-term investments	236,201	346,056
	6,030,627	13,263,249

5. Cash

Cash is comprised of cash at the following locations:

	December 31, 2009	March 31, 2009
	\$	\$
National Headquarters	3,591,413	11,305,553
Field Offices		
South America	567,534	189,435
West Africa	291,674	191,138
East Africa	192,909	124,188
	1,052,117	504,761
	4,643,530	11,810,314

Save the Children Canada

Notes to the financial statements

December 31, 2009

6. Marketable securities

Marketable securities are comprised of the following investments:

	December 31, 2009		March 31, 2009	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
GIC due April 11, 2009 at 2.8%	-	-	50,936	50,936
Fixed income	551,950	562,147	835,400	855,549
Mutual funds	423,069	428,751	-	-
Canadian equities	156,622	159,998	207,598	190,995
Foreign equities	-	-	9,021	9,399
	1,131,641	1,150,896	1,102,955	1,106,879

Fixed income securities represent corporate and government bonds, and discounted notes with maturity dates before December 31, 2010, bearing interest at various rates from 3.0% to 4.75% (March 31, 2009 – from 2.7% to 4.55%).

7. Accounts receivable

	December 31, 2009	March 31, 2009
	\$	\$
Accounts receivable	721,872	306,471
Advances to partners	8,249,774	2,007,848
	8,971,646	2,314,319

Advances to partners represent funds advanced to field partners for which the program has not been completed.

8. Long-term investments

Long-term investments are comprised of the following:

	December 31, 2009		March 31, 2009	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Fixed income	214,500	236,201	326,202	346,056
	214,500	236,201	326,202	346,056

Save the Children Canada

Notes to the financial statements

December 31, 2009

8. Long-term investments (continued)

Fixed income investments represent corporate and government bonds and notes with a maturity date of December 4, 2011, bearing interest at a rate of 4.75% (March 31, 2009 – from 4.10% to 4.75%).

9. Capital assets

	December 31, 2009			March 31, 2009
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture, fixtures and equipment	104,654	101,448	3,206	7,132
Computer hardware	247,738	232,020	15,718	22,424
Computer software	152,582	148,989	3,593	6,135
Leasehold improvements	128,947	128,947	-	-
Equipment	75,677	72,962	2,715	2,537
Vehicles	250,370	215,287	35,083	44,727
Field assets	19,969	19,560	409	3,305
Website	11,588	11,588	-	-
	991,525	930,801	60,724	86,260

10. Deferred revenue

Deferred revenue is comprised of the following:

	December 31, 2009	March 31, 2009
	\$	\$
CIDA Grants	9,429,626	11,367,197
Donations	1,028,465	1,448,643
MODA Investment (Note 11)	165,025	384,118
Local field offices grants	674,296	-
Save the Children members	347,708	-
Foundations	199,844	-
Other	194,011	571,697
	12,038,975	13,771,655

Save the Children Canada

Notes to the financial statements

December 31, 2009

11. MODA Investment

During the Fiscal 2008 fiscal year, the Organization entered into an understanding with Save the Children Alliance to enhance fundraising from individual Canadian donors. The Save the Children Alliance consists of 28 national Save the Children organizations and work within a commonly agreed set of policies and standards. To ensure best use of resources, all members work together, where possible.

	December 31, 2009	March 31, 2009
	\$	\$
Deferred MODA revenue, beginning of year	384,118	36,869
Amounts received during the year	1,084,393	1,526,837
	1,468,511	1,563,706
Recognized as revenues during the year	(1,166,148)	(1,179,588)
	302,363	384,118
Reclassification during the year	(137,338)	-
Deferred MODA revenue, end of year	165,025	384,118

12. Commitments

The Organization has entered into operating commitments and rental leases with various expiry dates to December 2013. The annual payments are as follows:

	\$
Year ending December 31,	
2010	2,522,676
2011	261,631
2012	256,737
2013	63,982
	3,105,026

13. Inter-fund transfer

The Board of Directors approved the transfer of \$649,000 (2009 - \$655,000) from the Reserve Fund to the General Fund during the year.

14. Capital management

The Organization considers its Deferred revenue and Reserve fund balance to be its capital and has complied with any restrictions relating thereto.

Save the Children Canada

Notes to the financial statements

December 31, 2009

15. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to disclosure are as follows:

- (a) The Organization has provided indemnities under a lease agreement for the use of an operating facility. Under the terms of this agreement, the Organization agrees to indemnify the counter parties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after, the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) The Organization indemnifies all directors and volunteers for various items, including but not limited to, all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions. The Organization has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

There are no known actions at this time.

16. Allocation of expenses

The Organization has allocated its common expenses as follows:

	Nine months ended December 31, 2009			
	Fundraising	Program expenses	General Administration	Total
	\$	\$	\$	\$
Rent and utilities	43,513	53,664	47,862	145,039
Administration	71,153	87,752	78,265	237,170
	114,666	141,416	126,127	382,209

	Year ended March 31, 2009			
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	51,341	84,565	56,624	192,530
Administration	114,032	187,824	125,766	427,622
	165,373	272,389	182,390	620,152

17. Comparative amounts

Certain of the prior year amounts have been reclassified to conform to the current year's presentation.

Save the Children Canada

Schedule of program expenses

nine-month period ended December 31, 2009

	Nine months ended December 31, 2009	Year ended March 31, 2009
	\$	\$
International programs		
South America	2,750,543	2,026,365
Central America	245,661	838,381
Caribbean	517,567	860,704
West Africa	3,024,408	2,456,479
East Africa	2,027,834	3,855,018
India/Asia	3,167,632	4,761,026
Middle East	6,192	-
Program management	2,249,799	2,066,990
	13,989,636	16,864,963