Financial statements of

Save the Children Canada

December 31, 2010

Save the Children Canada
December 31, 2010

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Deloitte.

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Independent Auditor's Report

To the Members of Save the Children Canada

We have audited the accompanying financial statements of Save the Children Canada, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in net assets, and cash flows for the year then ended, and 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 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.

Auditors' 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.

Except as explained in the following paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Save the Children Canada derives revenue from the general public and from 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 Save the Children Canada and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualification Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Save the Children Canada as at December 31, 2010, and the results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 24, 2011

Save the Children Canada

Statement of financial position
as at December 31, 2010

	2010	2009 (Note 17)
	$	$
Assets		
Current assets		
Cash (Notes 3 and 4)	**14,347,871**	4,643,530
Marketable securities (Notes 3 and 5)	**2,414,713**	1,150,896
Accounts receivable (Note 6)	**11,620,738**	8,971,646
Prepaid expenses	**95,206**	156,325
	28,478,528	14,922,397
Long-term investments (Notes 3 and 7)	**-**	236,201
Capital assets (Note 8)	**96,300**	60,724
	96,300	296,925
	28,574,828	15,219,322
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	**1,963,867**	1,760,781
Deferred revenue (Note 9)	**23,894,926**	12,038,975
	25,858,793	13,799,756
Net assets		
General Fund	**108,487**	(67,036)
Reserve Fund	**2,607,548**	1,486,602
	2,716,035	1,419,566
	28,574,828	15,219,322

On behalf of the Board

____________________ Director

____________________ Director

Save the Children Canada

Statement of operations
twelve months ended December 31, 2010

			Twelve months ended December 31, 2010	Nine months ended December 31, 2009
	General Fund	Reserve Fund	Total	Total (Note 17)
	$	$	$	$
Revenue				
Contributions	6,498,357	-	6,498,357	4,080,115
Canadian International Development Agency ("CIDA")	20,676,538	-	20,676,538	9,334,058
International grants	2,779,205	-	2,779,205	2,098,155
MODA ("Member Organizational Development Approach") investment (Note 10)	2,048,190	-	2,048,190	1,166,148
Interest and other income	72,447	20,068	92,515	111,677
Foreign exchange gain	32,543	-	32,543	-
Bequests	-	2,664,158	2,664,158	1,424,705
Total revenue	32,107,280	2,684,226	34,791,506	18,214,858
Program expenses - Schedule				
International	27,610,755	-	27,610,755	13,923,143
Canadian	29,611	-	29,611	100,054
	27,640,366	-	27,640,366	14,023,197
Operating and other expenses				
Fundraising (Note 10)	4,028,598	383,280	4,411,878	2,669,300
Foreign exchange loss	-	-	-	136,890
General administration	1,400,393	-	1,400,393	1,033,006
Amortization	23,763	-	23,763	29,936
	5,452,754	383,280	5,836,034	3,869,132
Total expenses	33,093,120	383,280	33,476,400	17,892,329
(Deficiency) excess of revenue over expenses	(985,840)	2,300,946	1,315,106	322,529

Save the Children Canada

Statement of changes in net assets
twelve months ended December 31, 2010

	General Fund				Twelve months ended December 31, 2010	Nine months ended December 31, 2009 (Note 17)
	Operations	Invested in capital assets	Total	Reserve Fund	Total	Total
	$	$	$	$	$	$
Accumulated excess (deficiency) of revenue over expenses, beginning of year						
As previously reported	(73,142)	60,724	(12,418)	1,486,602	1,474,184	1,118,094
Prior period adjustment (Note 17)	(92,445)	-	(92,445)	-	(92,445)	(58,884)
As restated	(165,587)	60,724	(104,863)	1,486,602	1,381,739	1,059,210
(Deficiency) excess of revenue over expenses for the year	(962,077)	(23,763)	(985,840)	2,300,946	1,315,106	322,529
Inter-fund transfer (Note 12)	1,180,000		1,180,000	(1,180,000)	-	-
Additions to capital assets	(59,339)	59,339	-	-	-	-
Accumulated excess of revenue over expenses, end of year	(7,003)	96,300	89,297	2,607,548	2,696,845	1,381,739
Unrealized gain reported directly in the statement of changes in net assets, beginning of year	37,827	-	37,827	-	37,827	(26,907)
Change in unrealized gain on investments during the year	23,852	-	23,852	-	23,852	80,057
Reclassification of losses recognized in the statement of operations on available for sale financial assets	(42,489)	-	(42,489)	-	(42,489)	(15,323)
Unrealized gain reported directly in the statement of changes in net assets, end of year	19,190	-	19,190	-	19,190	37,827
Fund balances, end of year	12,187	96,300	108,487	2,607,548	2,716,035	1,419,566

Save the Children Canada

Statement of cash flows
twelve months ended December 31, 2010

	Twelve months ended December 31, 2010	Nine months ended December 31, 2009 (Note 17)
	$	$
Operating activities		
Excess of revenue over expenses	**1,315,106**	322,529
Items not affecting cash flows		
Amortization	**23,763**	29,936
	1,338,869	352,465
Changes in working capital items		
Accounts receivable	**(2,649,092)**	(6,657,327)
Prepaid expenses	**61,119**	18,081
Accounts payable and accrued liabilities	**203,086**	726,505
Deferred revenue	**11,855,951**	(1,732,680)
	10,809,933	(7,292,956)
Investing activities		
Net change in marketable securities	**(1,263,817)**	(94,953)
Change in unrealized gain on investments during the year	**23,852**	80,057
Reclassification of gains recognized in the statement of operations on available for sale financial assets	**(42,489)**	(15,323)
Net change in long-term investments	**236,201**	160,791
Purchase of capital assets	**(59,339)**	(4,400)
	(1,105,592)	126,172
Net increase (decrease) in cash for the period	**9,704,341**	(7,166,784)
Cash, beginning of period	**4,643,530**	11,810,314
Cash, end of year	**14,347,871**	4,643,530

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 for 2009 are for a nine-month period.

2. 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 offices' 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:

Financial instruments

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

Asset/liability	Category	Measurement
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 Canadian Institute of Chartered Accountants' ("CICA's") Handbook.

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Cash

Cash includes advances to field offices and the regional office.

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.

Fair values

The fair value of cash, accounts receivable and accounts payable and accrued liabilities approximates 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 Directors, 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.

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

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 and deferred revenue.

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.

Future accounting changes

On December 9, 2010, the CICA issued accounting standards for Not-for-profit organizations Part III of the CICA Handbook – Accounting). Effective for fiscal years beginning on or after January 1, 2012, Not-for-profit organizations are required to adopt either Part III of the CICA Handbook – Accounting, or International Financial Reporting Standards (Part I of the CICA Handbook – Accounting). Earlier adoption is permitted. The Organization is currently evaluating the impact on its financial statements of the two options.

3. Restricted assets

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

	2010	2009
	$	$
Deferred revenue (Note 9)	**23,894,926**	12,038,975
Reserve Fund	**2,607,549**	1,486,602
	26,502,475	13,525,577
Less advances to partners (Note 6)	**(9,719,306)**	(8,249,774)
Total restricted	**16,783,169**	5,275,803
Unrestricted	**(20,585)**	754,824
Total cash, marketable securities and long-term investments	**16,762,584**	6,030,627
Consisting of:		
Cash	**14,347,871**	4,643,530
Marketable securities	**2,414,713**	1,150,896
Long-term investments	**-**	236,201
	16,762,584	6,030,627

4. Cash

Cash is comprised of cash at the following locations:

	2010	2009
	$	$
National Headquarters	**13,120,288**	3,591,413
Field Offices		
Bolivia	**338,114**	567,534
Burkina Faso	**780,451**	291,674
East Africa (Ethiopia and Kenya)	**109,018**	192,909
	1,227,583	1,052,117
	14,347,871	4,643,530

5. Marketable securities

Marketable securities are comprised of the following investments:

	2010		2009	
	Cost	**Fair value**	Cost	Fair value
	$	$	$	$
Fixed income	**440,000**	**444,862**	551,950	562,147
Mutual funds	**1,947,612**	**1,967,935**	423,069	428,751
Canadian equities	**1,911**	**1,916**	156,622	159,998
	2,389,523	**2,414,713**	1,131,641	1,150,896

Fixed income securities represent corporate and government bonds, and discounted notes with maturity dates before December 31, 2011, bearing interest at 3.0% (December 31, 2009 - from 3.0% to 4.75%).

6. Accounts receivable

	2010	2009
	$	$
Accounts receivable	**1,901,432**	721,872
Advances to partners	**9,719,306**	8,249,774
	11,620,738	8,971,646

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

7. Long-term investments

Long-term investments are comprised of the following:

	2010		2009	
	Cost	**Fair value**	Cost	Fair value
	$	**$**	$	$
Fixed income	-	-	214,500	236,201

8. Capital assets

			2010	2009
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Furniture, fixtures and equipment	**106,584**	**104,690**	**1,894**	3,206
Computer hardware	**251,289**	**240,648**	**10,641**	15,718
Computer software	**203,095**	**151,366**	**51,729**	3,593
Leasehold improvements	**128,947**	**128,947**	**-**	-
Equipment	**77,360**	**74,358**	**3,002**	2,715
Vehicles	**250,370**	**221,336**	**29,034**	35,083
Field assets	**19,969**	**19,969**	**-**	409
Website	**11,588**	**11,588**	**-**	-
	1,049,202	**952,902**	**96,300**	60,724

9. Deferred revenue

Deferred revenue is comprised of the following:

	2010	2009
	$	$
CIDA Grants	**16,145,705**	9,429,626
Donations	**4,142,785**	1,028,465
MODA Investment (Note 10)	**122,258**	165,025
Local field offices grants	**419,811**	674,296
Save the Children members	**221,359**	347,708
Foundations	**2,785,671**	199,844
Other	**57,337**	194,011
	23,894,926	12,038,975

10. 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.

	Twelve months ended December 31, 2010	Nine months ended December 31, 2009
	$	$
Deferred MODA revenue, beginning of period	**165,025**	384,118
Amounts received during the period	**2,005,423**	1,084,393
	2,170,448	1,468,511
Recognized as revenues during the period	**(2,048,190)**	(1,166,148)
	122,258	302,363
Reclassification during the period	**-**	(137,338)
Deferred MODA revenue, end of period (Note 9)	**122,258**	165,025

11. 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,	
2011	2,302,262
2012	270,873
2013	75,264
2014	5,486
2015	5,486
	2,659,371

12. Inter-fund transfer

The Board of Directors approved the transfer of $1,180,000 (2009 - $649,000) from the Reserve Fund to the General Fund during the year.

13. Capital management

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

14. 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.

15. Allocation of expenses

The Organization has allocated its common expenses as follows:

	Twelve months ended December 31, 2010			
	Fundraising	**Program expenses**	**General administration**	**Total**
	$	**$**	**$**	**$**
Rent and utilities	**81,814**	**88,107**	**75,520**	**245,441**
Administration	**89,970**	**96,891**	**83,049**	**269,910**
	171,784	**184,998**	**158,569**	**515,351**

	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

16. Comparative amounts

The 2009 amounts for changes in unrealized gain on investments during the year and reclassification of gains recognized in the statement of operations on available for sale financial assets have been reclassified from the Operating activities section to the Investing activities section on the Statement of cash flows.

17. Prior period adjustments

During the year, the Organization became aware of a severance liability that is required by local employment legislation in Burkina Faso. An amount of $92,445 was recorded during the 2010 fiscal year, but related to prior years. As a result, the following prior period adjustments have been recorded:

Opening General Fund balance (2010)	-	decrease of $92,445
Accounts payable and accrued liabilities (2009)	-	increase of $92,445
Program expenses (2009)	-	increase of $33,561
Opening General Fund balance (2009)	-	decrease of $58,884

Save the Children Canada

Schedule of program expenses
twelve months ended December 31, 2010

	Twelve months ended December 31, 2010	Nine months ended December 31, 2009
	$	$
International programs		
South America	**3,574,769**	2,750,543
Central America	**343,902**	245,661
Caribbean	**4,099,396**	517,567
West Africa	**2,743,079**	3,024,408
East Africa	**9,699,887**	2,027,834
India/Asia	**3,147,689**	3,167,632
Middle East	**-**	6,192
Program management	**4,031,644**	2,283,360
	27,640,366	14,023,197