Financial statements of

Save the Children Canada

December 31, 2011

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 (the "Organization"), which comprise the statement of financial position as at December 31, 2011, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained below, 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from the general public, 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 contributions revenue, deficiency of revenues over expenses, and cash flows from operations for the years ended December 31, 2011 and 2010, current assets as at December 31, 2011 and 2010, and net assets as at January 1 and December 31 for both the 2011 and 2010 years. Our audit opinion on the financial statements for the year ended December 31, 2010 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 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.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 8, 2012

Save the Children Canada

Statement of financial position
as at December 31, 2011

	2011	2010
	$	$
Assets		
Current assets		
Cash (Notes 3 and 4)	**16,782,232**	14,347,871
Marketable securities (Notes 3 and 5)	**2,343,675**	2,414,713
Accounts receivable (Note 6)	**8,067,530**	11,620,738
Prepaid expenses	**84,838**	95,206
	27,278,275	28,478,528
Capital assets (Note 7)	**134,035**	96,300
	27,412,310	28,574,828
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,407,004**	1,963,867
Deferred revenue (Note 8)	**21,909,557**	23,894,926
	24,316,561	25,858,793
Net assets		
General Fund	**365,685**	108,487
Reserve Fund	**2,730,064**	2,607,548
	3,095,749	2,716,035
	27,412,310	28,574,828

On behalf of the Board

_______________ Director

_______________ Director

Save the Children Canada

Statement of operations

year ended December 31, 2011

			2011	2010
	General Fund	Reserve Fund	Total	Total
	$	$	$	$
Revenue				
Contributions	11,425,057	-	11,425,057	6,498,357
Canadian International Development Agency ("CIDA")	25,331,144	-	25,331,144	20,676,538
International grants	2,701,103	-	2,701,103	2,779,205
MODA ("Member Organizational Development Approach") investment (Note 9)	929,731	-	929,731	2,048,190
Interest and other income	46,894	79,535	126,429	92,515
Foreign exchange gain	46,310	-	46,310	32,543
Gain on disposal of capital assets	45,089	-	45,089	-
Bequests	-	874,095	874,095	2,664,158
Total revenue	40,525,328	953,630	41,478,958	34,791,506
Program expenses - Schedule				
International	36,567,445	-	36,567,445	27,610,755
Canadian	10,858	-	10,858	29,611
	36,578,303	-	36,578,303	27,640,366
Operating and other expenses				
Fundraising	2,883,311	131,114	3,014,425	4,411,878
General administration	1,449,539	-	1,449,539	1,400,393
Amortization	47,194	-	47,194	23,763
	4,380,044	131,114	4,511,158	5,836,034
Total expenses	40,958,347	131,114	41,089,461	33,476,400
(Deficiency) excess of revenue over expenses	(433,019)	822,516	389,497	1,315,106

Save the Children Canada

Statement of changes in net assets
year ended December 31, 2011

					2011	2010
	General Fund					
	Operations	Invested in capital assets	Total	Reserve Fund	Total	Total
	$	$	$	$	$	$
Accumulated excess (deficiency) of revenue over expenses, beginning of year	(7,003)	96,300	89,297	2,607,548	2,696,845	1,381,739
(Deficiency) excess of revenue over expenses for the year	(385,825)	(47,194)	(433,019)	822,516	389,497	1,315,106
Inter-fund transfer (Note 11)	700,000	-	700,000	(700,000)	-	-
Additions to capital assets	(84,929)	84,929	-	-	-	-
Accumulated excess of revenue over expenses, end of year	222,243	134,035	356,278	2,730,064	3,086,342	2,696,845
Unrealized gain reported directly in the statement of changes in net assets, beginning of year	19,190	-	19,190	-	19,190	37,827
Change in unrealized gain on investments during the year	(9,783)	-	(9,783)	-	(9,783)	23,852
Reclassification of losses recognized in the statement of operations on available for sale financial assets	-	-	-	-	-	(42,489)
Unrealized gain reported directly in the statement of changes in net assets, end of year	9,407	-	9,407	-	9,407	19,190
Fund balances, end of year	231,650	134,035	365,685	2,730,064	3,095,749	2,716,035

Save the Children Canada

Statement of cash flows
year ended December 31, 2011

	2011	2010
	$	$
Operating activities		
Excess of revenue over expenses	**389,497**	1,315,106
Items not affecting cash flows		
Amortization	**47,194**	23,763
Gain on disposal of capital assets	**(45,089)**	-
	391,602	1,338,869
Changes in working capital items		
Accounts receivable	**3,553,208**	(2,649,092)
Prepaid expenses	**10,368**	61,119
Accounts payable and accrued liabilities	**443,137**	203,086
Deferred revenue	**(1,985,369)**	11,855,951
	2,412,946	10,809,933
Investing activities		
Net change in marketable securities	**71,038**	(1,263,817)
Change in unrealized gain on investments during the year	**(9,783)**	23,852
Reclassification of gains recognized in the statement of operations on available for sale financial assets	**-**	(42,489)
Net change in long-term investments	**-**	236,201
Purchase of capital assets	**(84,929)**	(59,339)
Proceeds from sale of capital assets	**45,089**	-
	21,415	(1,105,592)
Net increase in cash for the year	**2,434,361**	9,704,341
Cash, beginning of year	**14,347,871**	4,643,530
Cash, end of year	**16,782,232**	14,347,871

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.

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 maturity dates 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). The Organization has adopted Part III of the CICA Handbook for its 2012 fiscal year.

3. Restricted assets

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

	2011	2010
	$	$
Deferred revenue (Note 8)	**21,909,557**	23,894,926
Reserve Fund	**2,730,064**	2,607,549
	24,639,621	26,502,475
Less advances to partners (Note 6)	**(7,362,466)**	(9,719,306)
Total restricted	**17,277,155**	16,783,169
Unrestricted	**1,848,752**	(20,585)
Total cash and marketable securities	**19,125,907**	16,762,584
Consisting of:		
Cash	**16,782,232**	14,347,871
Marketable securities	**2,343,675**	2,414,713
	19,125,907	16,762,584

4. Cash

Cash is comprised of cash at the following locations:

	2011	2010
	$	$
National Headquarters	**15,733,483**	13,120,288
Field offices		
Bolivia	**310,523**	338,114
Burkina Faso	**562,078**	780,451
East Africa (Ethiopia and Kenya)	**176,148**	109,018
	1,048,749	1,227,583
	16,782,232	14,347,871

5. Marketable securities

Marketable securities are comprised of the following investments:

	2011		2010	
	Cost	**Fair value**	Cost	Fair value
	$	$	$	$
Fixed income	**440,000**	**442,845**	440,000	444,862
Mutual funds	**1,889,766**	**1,896,310**	1,953,612	1,967,935
Canadian equities	**4,502**	**4,520**	1,911	1,916
	2,334,268	**2,343,675**	2,395,523	2,414,713

Fixed income securities represent corporate and government bonds, and discounted notes with maturity dates before June 22, 2014 (2010 - December 31, 2011), bearing interest at 3% (2010 - 3.0%).

6. Accounts receivable

	2011	2010
	$	$
Accounts receivable	**705,064**	1,901,432
Advances to partners	**7,362,466**	9,719,306
	8,067,530	11,620,738

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

7. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Furniture, fixtures and equipment	**106,581**	**105,289**	**1,292**	1,894
Computer hardware	**181,015**	**159,949**	**21,066**	10,641
Computer software	**234,647**	**171,675**	**62,972**	51,729
Leasehold improvements	**137,221**	**133,084**	**4,137**	-
Equipment	**78,824**	**75,181**	**3,643**	3,002
Vehicles	**107,130**	**66,205**	**40,925**	29,034
Field assets	**17,286**	**17,286**	**-**	-
Website	**11,588**	**11,588**	**-**	-
	874,292	**740,257**	**134,035**	96,300

8. Deferred revenue

Deferred revenue is comprised of the following:

	2011	2010
	$	$
CIDA grants	**14,439,720**	16,145,705
Donations	**4,077,625**	4,142,785
MODA Investment (Note 9)	**136,000**	122,258
Local field offices grants	**303,068**	419,811
Save the Children members	**280,628**	221,359
Foundations	**2,665,764**	2,785,671
Other	**6,752**	57,337
	21,909,557	23,894,926

9. 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.

	2011	2010
	$	$
Deferred MODA revenue, beginning of year	**122,258**	165,025
Amounts received during the period	**943,473**	2,005,423
	1,065,731	2,170,448
Recognized as revenues during the year	**(929,731)**	(2,048,190)
Deferred MODA revenue, end of year (Note 8)	**136,000**	122,258

10. Commitments

The Organization has entered into operating commitments and rental leases with various expiry dates to December 2015. The annual payments are as follows:

	$
Year ending December 31,	
2012	1,317,313
2013	83,130
2014	5,486
2015	5,486

11. Inter-fund transfer

The Board of Directors approved the transfer of $ 700,000 (2010 – $1,180,000) from the Reserve Fund to the General Fund during the year.

12. Capital management

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

13. 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 were no known actions as at December 31, 2011.

14. Allocation of expenses

The Organization has allocated its common expenses as follows:

				2011
	Fundraising	Program expenses	General administration	Total
	$	$	$	$
Rent and utilities	76,910	76,910	112,407	266,227
Administration	91,167	91,167	133,244	315,578
	168,077	168,077	245,651	581,805

				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

Save the Children Canada

Schedule of program expenses – Schedule
year ended December 31, 2011

	2011	2010
	$	$
International programs		
North America	**1,880,051**	-
South America	**4,179,622**	3,574,769
Central America	**352,053**	343,902
Caribbean	**5,492,483**	4,099,396
West Africa	**3,457,846**	2,743,079
East Africa	**11,764,226**	9,699,887
India/Asia	**6,280,101**	3,147,689
Program management	**3,171,921**	4,031,644
	36,578,303	27,640,366