

Financial statements of

Save the Children Canada

December 31, 2014

Save the Children Canada

December 31, 2014

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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, 2014, 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 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2014 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP


Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 2, 2015


Save the Children Canada

Statement of financial position as at December 31, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash (Note 3)	15,685,870	23,419,180
Marketable securities (Notes 3 and 4)	4,683,116	2,747,878
Accounts receivable (Note 5)	18,668,594	8,918,715
Prepaid expenses	98,335	257,944
	39,135,915	35,343,717
Capital assets (Note 6)	325,144	461,352
	39,461,059	35,805,069
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	12,467,225	4,504,149
Deferred revenue (Note 7)	24,866,094	29,214,034
Deferred lease inducement	11,260	11,260
	37,344,579	33,729,443
Deferred lease inducement	53,945	65,205
	37,398,524	33,794,648
Commitments and contingency (Notes 8 and 14)		
Net assets		
General Fund	52,114	-
Reserve Fund	2,010,421	2,010,421
	2,062,535	2,010,421
	39,461,059	35,805,069

On behalf of the Board

 Director

 Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Save the Children Canada

Statement of operations year ended December 31, 2014

	2014			2013		
	General Fund	Reserve Fund	Total	General Fund	Reserve Fund	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions	18,048,539	-	18,048,539	14,701,447	-	14,701,447
Department of Foreign Affairs, Trade and Development ("DFATD")	34,124,957	-	34,124,957	23,537,151	-	23,537,151
International grants	7,962,094	-	7,962,094	4,821,608	-	4,821,608
Interest and other income	66,724	-	66,724	48,011	-	48,011
Foreign exchange gain	184,857	-	184,857	-	-	-
Amortization of deferred lease inducement	11,260	-	11,260	11,260	-	11,260
Bequests	-	930,470	930,470	-	1,295,836	1,295,836
Total revenue	60,398,431	930,470	61,328,901	43,119,477	1,295,836	44,415,313
Program expenses (Note 15)						
International	54,967,894	-	54,967,894	39,078,374	-	39,078,374
Canadian	461,055	-	461,055	494,857	-	494,857
	55,428,949	-	55,428,949	39,573,231	-	39,573,231
Operating and other expenses						
Fundraising	3,935,936	-	3,935,936	3,445,120	194,379	3,639,499
Foreign exchange loss	-	-	-	173,592	-	173,592
Unrealized capital loss	-	-	-	44,989	-	44,989
General administration	1,716,868	-	1,716,868	1,904,647	-	1,904,647
Amortization	195,034	-	195,034	178,696	-	178,696
	5,847,838	-	5,847,838	5,747,044	194,379	5,941,423
Total expenses	61,276,787	-	61,276,787	45,320,275	194,379	45,514,654
(Deficiency) excess of revenue over expenses	(878,356)	930,470	52,114	(2,200,798)	1,101,457	(1,099,341)

The accompanying notes to the financial statements are an integral part of this financial statement.

Save the Children Canada

Statement of changes in net assets year ended December 31, 2014

	General Fund				2014	2013
	Operations	Invested in capital assets	Total	Reserve Fund	Total	Total
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	(384,887)	384,887	-	2,010,421	2,010,421	3,109,762
(Deficiency) excess of revenue over expenses	(694,582)	(183,774)	(878,356)	930,470	52,114	(1,099,341)
Inter-fund transfer (Note 9)	930,470	-	930,470	(930,470)	-	-
Additions to capital assets	(58,826)	58,826	-	-	-	-
Net assets, end of year	(207,825)	259,939	52,114	2,010,421	2,062,535	2,010,421

The accompanying notes to the financial statements are an integral part of this financial statement.

Save the Children Canada

Statement of cash flows year ended December 31, 2014

	2014	2013
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	52,114	(1,099,341)
Items not affecting cash flows		
Amortization	195,034	178,696
Unrealized (gain) loss on investments	(12,983)	21,192
Amortization of deferred lease inducement	(11,260)	(11,260)
	222,905	(910,713)
Changes in working capital items		
Accounts receivable	(9,749,879)	(1,416,440)
Prepaid expenses	159,609	(153,938)
Accounts payable and accrued liabilities	7,963,076	1,511,014
Deferred revenue	(4,347,940)	8,848,834
	(5,752,229)	7,878,757
Investing activities		
Net change in marketable securities	(1,922,255)	5,378,123
Purchase of capital assets	(58,826)	(248,198)
	(1,981,081)	5,129,925
Financing activity		
Deferred lease inducement	-	87,725
Net (decrease) increase in cash for the year	(7,733,310)	13,096,407
Cash, beginning of year	23,419,180	10,322,773
Cash, end of year	15,685,870	23,419,180

The accompanying notes to the financial statements are an integral part of this financial statement.

Save the Children Canada

Notes to the financial statements

December 31, 2014

1. Nature of operations

As a member of the world's leading independent child rights organization, Save the Children Canada's (the "Organization") mission is to inspire breakthroughs in the way the world treats children, and to achieve immediate and lasting change in their lives. The Organization works to create a world in which every child attains the right to survival, protection, development and participation.

The Organization is a registered charitable organization under the Canadian Income Tax Act, was incorporated in 1946 under Part II of the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act on March 4, 2014. The Organization is at the same time a member of a federated model called Save the Children Association ("Save the Children"), a Swiss Membership organization.

Save the Children comprises of 30 independent non-profit organization members (25 full members and five associate members). In 2011, members of the association created a global implementing structure called Save the Children International ("SCI"), a United Kingdom based charitable entity. All the members of Save the Children are working to deliver a shared strategy, including vision, mission, values and theory of change. While each member continues to direct and support its own programs, internationally these have been transitioned to SCI to be delivered through a merged operation with approximately 14,000 staff, managed through seven regional hubs and reporting to a relatively small central office.

All members have joined Save the Children's global campaign, EVERY ONE, to stop children dying from preventable causes before their fifth birthday, and contribute to Save the Children becoming the world's leading humanitarian emergency response agency for children. In addition, members lead global initiatives on health and nutrition, education, child protection and child rights governance.

The Organization continues to design programs, coordinate with donors and provide technical assistance to ensure program quality, monitoring and reporting. The costs of implementing programs through the SCI structure and administrative costs allocated among members are covered by program funds raised by the Organization.

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 regional office in Bolivia from January 1, 2013 to June 2013, when it was closed. All former Save the Children Canada International programming offices have now transitioned to SCI.

Contributions received by National Headquarters that are sent to SCI's field offices are recognized as revenue when the related expenses have been incurred. Contributions received in excess of expenses are recorded as deferred revenue.

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the deferral method of reporting restricted contributions, and reflect the following significant accounting policies:

Financial instruments

The Organization's financial assets comprise cash, marketable securities, and accounts receivable. Financial liabilities comprise accounts payable and accrued liabilities.

Financial assets and financial liabilities are initially recognized at fair value when the Organization becomes a party to the contractual provisions of the financial instruments. Subsequently, all financial instruments are measured at amortized cost, except for investments quoted in active markets, which are carried at fair value. The Organization has elected to use the fair value option to measure any investments not quoted in active markets. Any subsequent changes in fair value are recorded in the Statement of operations.

The fair value of investments is determined directly from published bid quotations in an active market.

Save the Children Canada

Notes to the financial statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Marketable securities

Marketable securities comprise fixed income investments with original maturity dates of less than one year and mutual funds traded in active markets.

Advances to partners

Advances to partners, included in accounts receivable, represent funding advanced to SCI and project partners for international and domestic projects and are recognized as program expenses when the underlying costs are incurred.

Capital assets

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

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

Impairment of long-lived assets

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

Deferred lease inducement

Deferred lease inducements, consisting of leasehold improvement allowance, are amortized on the straight-line basis over the term of the lease.

Revenue recognition

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

Interest and other income includes dividend and interest income and realized investment gains and losses.

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.

Expenses

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

Allocation of expenses

The Organization allocates general support costs consisting of rent and utilities, and administration expenses, to program and fundraising expenses based on headcount as at December 31, 2014.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect on the reporting dates, and revenue and expenses are translated at rates which approximate those in effect on the transaction dates. Net translation gains and losses are included in the Statement of operations.

Save the Children Canada

Notes to the financial statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Reserve Fund

The Reserve Fund consists of bequest revenue to be set aside to protect the Board of Directors and the Organization in adverse circumstances.

The purposes of the Reserve Fund are:

- (a) To indemnify the Board of Directors where they are legally personally liable in specific situations where insurance may not be purchased and/or eligible to protect the Board members
- (b) As a cash reserve of six months of operating expenditures, plus a contingency amount which will be recommended annually by the Finance, Audit and Investment Committee to the Board of Directors for approval and be created and matches with cash
- (c) As a cash reserve to provide funds to address major revenue shortfalls that may have consequential adverse impact on the Organization's legal commitments, reputation and operational viability
- (d) For other specific expenditures as approved by the Board of Directors as may arise from time to time in extenuating circumstances

Excess bequest revenue beyond the Reserve Fund shall be used building the capacity of the Organization to achieve its mission, respond to global emergencies, or such other uses as determined by the Board of Directors.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for non-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 marketable securities and deferred revenue.

3. Restricted assets

Certain of the Organization's cash and marketable securities are restricted as follows:

	2014	2013
	\$	\$
Deferred revenue (Note 7)	24,866,094	29,214,034
Reserve Fund	2,010,421	2,010,421
	26,876,515	31,224,455
Add payable to partners	8,818,354	278,965
Less advances to partners (Note 5)	(16,587,345)	(6,060,662)
Total restricted	19,107,524	25,442,758
Unrestricted	1,261,462	724,300
Total cash and marketable securities	20,368,986	26,167,058
Consisting of		
Cash	15,685,870	23,419,180
Marketable securities (Note 4)	4,683,116	2,747,878
	20,368,986	26,167,058

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4. Marketable securities

Marketable securities are comprised of the following investments:

	2014	2013
	\$	\$
Fixed income	453,802	441,149
Mutual funds	1,556,740	2,296,717
Canadian equities	-	10,012
Mutual funds - U.S. dollars	2,672,574	-
	4,683,116	2,747,878

Fixed income investments consist of a guaranteed investment certificate with a maturity date of July 6, 2015 and bearing interest at 1.72% (2013 - corporate bond with a maturity date of June 22, 2014 and bearing interest at 2.08%).

5. Accounts receivable

	2014	2013
	\$	\$
Accounts receivable	2,081,249	2,858,053
Advances to partners	16,587,345	6,060,662
	18,668,594	8,918,715

6. Capital assets

	2014			2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture, fixtures and equipment	191,665	175,708	15,957	21,463
Computer hardware	-	-	-	5,163
Computer software	922,113	694,443	227,670	340,122
Leasehold improvements	281,991	200,474	81,517	94,604
	1,395,769	1,070,625	325,144	461,352

7. Deferred revenue

Deferred revenue comprises the following:

	2014	2013
	\$	\$
DFATD grants	14,822,384	13,384,705
Donations	1,014,356	1,358,946
Save the Children members	4,244,338	1,004,986
Foundations	4,785,016	13,465,397
	24,866,094	29,214,034

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8. Commitments

The Organization has entered into operating commitments and rental leases with various expiry dates to December 2020. The annual payments are as follows:

	\$
2015	369,294
2016	380,078
2017	378,997
2018	383,123
2019	386,585
Thereafter	<u>317,332</u>

9. Inter-fund transfer

The Board of Directors approved the transfer of \$930,470 (2013 - \$2,061,870) from the Reserve Fund to the General Fund during the year.

10. 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, 2014.

11. Allocation of expenses

The Organization has allocated its common expenses as follows:

	2014			
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	102,433	131,142	94,930	328,505
Administration	90,865	116,332	84,209	291,406
	<u>193,298</u>	<u>247,474</u>	<u>179,139</u>	<u>619,911</u>

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Notes to the financial statements

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11. Allocation of expenses (continued)

	2013			
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	88,766	104,431	135,761	328,958
Administration	71,320	83,906	109,077	264,303
	160,086	188,337	244,838	593,261

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil (2013 - \$651) with respect to government remittances.

13. Additional information

The Organization is a member of Imagine Canada and has been accredited under its Standards Program, which requires disclosure of the amount of donations received for income tax purposes.

During the year, the Organization issued donation receipts for income tax purposes in the amount of \$6,251,593 (2013 - \$6,719,089).

14. Contingency

As a member of Save the Children Association, the Organization funds certain global projects and incurs central costs under a member contribution agreement with SCI. The allocation of certain central costs to the Organization related to 2013 and 2014 of approximately \$1,000,000 is currently under discussion with SCI and the final allocation has not been determined. Neither the outcome nor the amount of the possible settlement can be reasonably estimated at this time and hence no amount has been recorded in these financial statements. Any charge will be recognized in the year it is determined.

15. International program expenses

	2014	2013
	\$	\$
East Africa	16,014,399	18,319,933
Middle East	11,134,292	3,284,198
India/Asia	8,043,597	2,727,423
West Africa	5,889,151	3,944,663
Program management	5,836,670	4,740,453
South America	4,555,031	3,360,655
North America	1,787,186	1,683,033
Central Africa	940,403	-
Central America	397,303	467,155
Europe	369,862	-
Caribbean	-	550,861
	54,967,894	39,078,374

Save the Children Canada

Notes to the financial statements

December 31, 2014

16. Comparative amounts

The following comparative amounts have been re-classified to confirm to the current year's financial statement presentation:

	December 31, 2013	
	As amended	As previously stated
	\$	\$
Statement of financial position		
Assets		
Capital assets	461,352	384,887
Liabilities		
Deferred lease inducement - current	11,260	-
Deferred lease inducement - long-term	65,205	-
	<u>384,887</u>	<u>384,887</u>
Statement of operations		
Revenue		
Amortization of deferred lease inducement	11,260	-
Expenses		
Amortization	178,696	167,436
	<u>167,436</u>	<u>167,436</u>
Statement of cash flows		
Items not affecting cash flows		
Amortization	178,696	167,436
Unrealized loss on investments	21,192	-
Amortization of deferred lease inducement	(11,260)	-
Investing activities		
Purchase of capital assets	(248,198)	(160,473)
Net change in marketable securities	5,378,123	5,399,315
Financing activity		
Deferred lease inducement	87,725	-
	<u>5,406,278</u>	<u>5,406,278</u>