

Financial statements of

Save the Children Canada

December 31, 2013

Save the Children Canada

December 31, 2013

Table of contents

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations	4
Statement of changes in net assets	5
Statement of cash flows	6
Notes to the financial statements	7-12
Schedule of program expenses	13



Deloitte LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

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, 2013, the statements of operations, change 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 in our audit 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, 2013, 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
July 25, 2014

Save the Children Canada
 Statement of financial position
 as at December 31, 2013

	2013	2012
	\$	\$
Assets		
Current assets		
Cash (Notes 3 and 4)	23,419,180	10,322,773
Marketable securities (Notes 3 and 5)	2,747,878	8,147,193
Accounts receivable (Note 6)	8,918,715	7,502,275
Prepaid expenses	257,944	104,006
	35,343,717	26,076,247
Capital assets (Note 7)	384,887	391,850
	35,728,604	26,468,097
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	4,504,149	2,993,135
Deferred revenue (Note 8)	29,214,034	20,365,200
	33,718,183	23,358,335
Net assets		
General Fund	-	138,928
Reserve Fund	2,010,421	2,970,834
	2,010,421	3,109,762
	35,728,604	26,468,097

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, 2013

	2013			2012		
	General Fund	Reserve Fund	Total	General Fund	Reserve Fund	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Contributions	14,701,447	-	14,701,447	12,488,147	-	12,488,147
Department of Foreign Affairs, Trade and Development ("DFATD")	23,537,151	-	23,537,151	22,892,080	-	22,892,080
International grants	4,821,608	-	4,821,608	3,739,787	-	3,739,787
Interest and other income	48,011	-	48,011	57,010	-	57,010
Gain on disposal of capital assets	-	-	-	24,106	-	24,106
Bequests	-	1,295,836	1,295,836	-	1,708,094	1,708,094
Total revenue	43,108,217	1,295,836	44,404,053	39,201,130	1,708,094	40,909,224
Program expenses - Schedule						
International	39,078,374	-	39,078,374	35,935,049	-	35,935,049
Canadian	494,857	-	494,857	353,220	-	353,220
	39,573,231	-	39,573,231	36,288,269	-	36,288,269
Operating and other expenses						
Fundraising	3,445,120	194,379	3,639,499	2,779,943	253,248	3,033,191
Foreign exchange loss	173,592	-	173,592	99,404	-	99,404
Unrealized capital loss	44,989	-	44,989	-	-	-
General administration	1,904,647	-	1,904,647	1,411,761	-	1,411,761
Amortization	167,436	-	167,436	66,589	-	66,589
	5,735,784	194,379	5,930,163	4,357,697	253,248	4,610,945
Total expenses	45,309,015	194,379	45,503,394	40,645,966	253,248	40,899,214
(Deficiency) excess of revenue over expenses before the undernoted	(2,200,798)	1,101,457	(1,099,341)	(1,444,836)	1,454,846	10,010
Change in fair value of investments	-	-	-	4,003	-	4,003
(Deficiency) excess of revenue over expenses	(2,200,798)	1,101,457	(1,099,341)	(1,440,833)	1,454,846	14,013

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, 2013

	2013				2012	
	General Fund					
	Operations	Invested in capital assets	Total	Reserve Fund	Total	Total
\$	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	(252,922)	391,850	138,928	2,970,834	3,109,762	3,095,749
(Deficiency) excess of revenue over expenses	(2,033,362)	(167,436)	(2,200,798)	1,101,457	(1,099,341)	14,013
Inter-fund transfer (Note 10)	2,061,870	-	2,061,870	(2,061,870)	-	-
Additions to capital assets	(160,473)	160,473	-	-	-	-
Net assets, end of year	(384,887)	384,887	-	2,010,421	2,010,421	3,109,762

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, 2013

	2013	2012
	\$	\$
Operating activities		
(Deficiency) excess of revenue over expenses	(1,099,341)	14,013
Items not affecting cash flows		
Amortization	167,436	66,589
Change in fair value of investments	-	(4,003)
Gain on disposal of capital assets	-	(24,106)
	(931,905)	52,493
Changes in working capital items		
Accounts receivable	(1,416,440)	565,255
Prepaid expenses	(153,938)	(19,168)
Accounts payable and accrued liabilities	1,511,014	586,131
Deferred revenue	8,848,834	(1,544,357)
	7,857,565	(359,646)
Investing activities		
Net change in marketable securities	5,399,315	(5,799,515)
Purchase of capital assets	(160,473)	(358,551)
Proceeds from sale of capital assets	-	58,253
	5,238,842	(6,099,813)
Net increase (decrease) in cash for the year	13,096,407	(6,459,459)
Cash, beginning of year	10,322,773	16,782,232
Cash, end of year	23,419,180	10,322,773

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, 2013

1. Nature of operations

As 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 and was incorporated in 1946 under Part II of the Canada Corporations Act. The Organization became a member of Save the Children in 2011.

Save the Children is comprised of 30 members (25 full members and five associate members), as well as Save the Children International ("SCI"). 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 10,000 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.

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, 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 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 are comprised of cash, marketable securities, and accounts receivable. Financial liabilities are comprised of 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.

Cash

Cash includes advances to SCI's field offices.

Save the Children Canada

Notes to the financial statements

December 31, 2013

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Marketable securities

Marketable securities are comprised of investments with maturity dates of less than one year.

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
Web site	3 years
Vehicles	5 years

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.

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 investment gains and losses.

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.

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. In addition, 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 accounting standards for not-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.

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 headcount as at December 31, 2013.

Save the Children Canada

Notes to the financial statements

December 31, 2013

3. Restricted assets

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

	2013	2012
	\$	\$
Deferred revenue (Note 8)	29,214,034	20,365,200
Reserve Fund	2,010,421	2,970,834
	<u>31,224,455</u>	<u>23,336,034</u>
Less advances to partners (Note 6)	(5,781,697)	(5,885,510)
Total restricted	25,442,758	17,450,524
Unrestricted	724,300	1,019,442
Total cash and marketable securities	<u>26,167,058</u>	<u>18,469,966</u>
Consisting of		
Cash	23,419,180	10,322,773
Marketable securities	2,747,878	8,147,193
	<u>26,167,058</u>	<u>18,469,966</u>

4. Cash

Cash is comprised of cash at the following locations:

	2013	2012
	\$	\$
National Headquarters	23,419,180	10,121,963
Field office - Bolivia	-	200,810
	<u>23,419,180</u>	<u>10,322,773</u>

5. Marketable securities

Marketable securities are comprised of the following investments:

	2013	2012
	\$	\$
Fixed income	441,149	442,738
Mutual funds	2,296,717	2,248,896
Canadian equities	10,012	6,171
Dual Currency Transactions	-	5,449,388
	<u>2,747,878</u>	<u>8,147,193</u>

Fixed income investments consist of a corporate bond with a maturity date of June 22, 2014 (2012 - June 22, 2014) and bearing interest at 2.08% (2012 - 2.09%).

Save the Children Canada

Notes to the financial statements

December 31, 2013

6. Accounts receivable

	2013	2012
	\$	\$
Accounts receivable	3,137,018	1,616,765
Advances to partners	5,781,697	5,885,510
	8,918,715	7,502,275

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

7. Capital assets

	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book Value
	\$	\$	\$	\$
Furniture, fixtures and equipment	191,665	170,202	21,463	15,080
Computer hardware	326,106	320,943	5,163	54,172
Computer software	536,733	196,611	340,122	43,842
Computer software - in progress	-	-	-	273,276
Leasehold improvements	189,106	170,967	18,139	5,480
	1,243,610	858,723	384,887	391,850

8. Deferred revenue

Deferred revenue is comprised of the following:

	2013	2012
	\$	\$
CIDA grants	13,384,705	9,992,334
Donations	1,358,946	1,225,405
Local field offices grants	-	155,589
Save the Children members	1,004,986	1,535,488
Foundations	13,465,397	7,456,384
	29,214,034	20,365,200

Save the Children Canada

Notes to the financial statements

December 31, 2013

9. Commitments

The Organization has entered into operating commitments and rental leases with various expiry dates to December 2018. The annual payments are as follows:

	\$
Year ending December 31,	
2014	368,988
2015	375,783
2016	374,085
2017	367,932
2018	367,539

10. Inter-fund transfer

The Board of Directors approved the transfer of \$2,061,870 (2012 - \$1,214,076) from the Reserve Fund to the General Fund during the year.

11. 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, 2013.

12. Allocation of expenses

The Organization has allocated its common expenses as follows:

	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
	<u>160,086</u>	<u>188,337</u>	<u>244,838</u>	<u>593,261</u>

Save the Children Canada

Notes to the financial statements

December 31, 2013

12. Allocation of expenses (continued)

	2012			
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	86,158	150,777	70,004	306,939
Administration	106,204	185,858	86,292	378,354
	192,362	336,635	156,296	685,293

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$651 (2012 - \$1,588) with respect to government remittances.

14. 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 purpose in the amount of \$6,719,089 (2012 - \$7,563,521).

Save the Children Canada

Schedule of program expenses
year ended December 31, 2013

	2013	2012
	\$	\$
International programs		
North America	1,683,033	1,816,553
South America	3,360,655	3,898,975
Central America	467,155	1,034,744
Caribbean	550,861	1,568,879
West Africa	3,944,663	3,724,013
East Africa	18,319,933	16,818,495
India/Asia	2,727,423	2,065,509
Middle East	3,284,198	5,038,993
Program management	4,740,453	322,108
	39,078,374	36,288,269

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

