

Financial statements of

**Save the Children Canada**

December 31, 2015

# Save the Children Canada

December 31, 2015

## 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 ..... 7-13

## **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, 2015, 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, 2015 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

Licensed Public Accountants

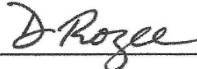
May 25, 2016


# Save the Children Canada

## Statement of financial position as at December 31, 2015

	2015	2014 (Note 15)
	\$	\$
<b>Assets</b>		
Current assets		
Cash (Note 3)	13,140,353	15,685,870
Marketable securities (Notes 3 and 4)	5,152,894	4,683,116
Accounts receivable (Note 5)	9,676,052	14,870,718
Prepaid expenses	134,334	98,335
	<b>28,103,633</b>	<b>35,338,039</b>
Capital assets (Note 6)	157,488	325,144
	<b>28,261,121</b>	<b>35,663,183</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	4,805,620	8,669,349
Deferred revenue (Note 7)	20,055,952	24,866,094
Deferred lease inducement	11,260	11,260
	<b>24,872,832</b>	<b>33,546,703</b>
Deferred lease inducement	42,685	53,945
	<b>24,915,517</b>	<b>33,600,648</b>
Commitments (Note 8)		
<b>Net assets</b>		
General Fund	421,804	52,114
Reserve Fund	2,923,800	2,010,421
	<b>3,345,604</b>	<b>2,062,535</b>
	<b>28,261,121</b>	<b>35,663,183</b>

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, 2015

	2015			2014		
	General Fund	Reserve Fund	Total	General Fund (Note 15)	Reserve Fund	Total (Note 15)
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Contributions	16,521,963	-	16,521,963	18,048,539	-	18,048,539
Global Affairs Canada	35,434,947	-	35,434,947	34,124,957	-	34,124,957
International grants	8,146,858	-	8,146,858	7,962,094	-	7,962,094
Interest and other income	50,107	-	50,107	66,724	-	66,724
Foreign exchange gain	1,236,682	-	1,236,682	184,857	-	184,857
Amortization of deferred lease inducement	11,260	-	11,260	11,260	-	11,260
Bequests	76,362	432,716	509,078	-	930,470	930,470
<b>Total revenue</b>	<b>61,478,179</b>	<b>432,716</b>	<b>61,910,895</b>	<b>60,398,431</b>	<b>930,470</b>	<b>61,328,901</b>
<b>Program expenses</b>						
International (Note 14)	54,114,606	-	54,114,606	54,967,894	-	54,967,894
Canadian	451,849	-	451,849	461,055	-	461,055
	<b>54,566,455</b>	<b>-</b>	<b>54,566,455</b>	<b>55,428,949</b>	<b>-</b>	<b>55,428,949</b>
<b>Operating and other expenses</b>						
Fundraising	2,363,360	-	2,363,360	2,355,672	-	2,355,672
Marketing	1,522,345	-	1,522,345	1,580,264	-	1,580,264
Unrealized capital loss	82,895	-	82,895	-	-	-
General administration	1,907,319	-	1,907,319	1,716,868	-	1,716,868
Amortization	185,452	-	185,452	195,034	-	195,034
	<b>6,061,371</b>	<b>-</b>	<b>6,061,371</b>	<b>5,847,838</b>	<b>-</b>	<b>5,847,838</b>
<b>Total expenses</b>	<b>60,627,826</b>	<b>-</b>	<b>60,627,826</b>	<b>61,276,787</b>	<b>-</b>	<b>61,276,787</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>850,353</b>	<b>432,716</b>	<b>1,283,069</b>	<b>(878,356)</b>	<b>930,470</b>	<b>52,114</b>

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, 2015

	General Fund			Reserve	2015	2014
	Operations	Invested in capital assets	Total	Fund	Total	Total
	\$	\$	\$	\$	\$	\$
<b>Net assets, beginning of year</b>	<b>(207,825)</b>	<b>259,939</b>	<b>52,114</b>	<b>2,010,421</b>	<b>2,062,535</b>	2,010,421
Excess (deficiency) of revenue over expenses	<b>1,024,545</b>	<b>(174,192)</b>	<b>850,353</b>	<b>432,716</b>	<b>1,283,069</b>	52,114
Inter-fund transfer (Note 9)	<b>(480,663)</b>	-	<b>(480,663)</b>	<b>480,663</b>	-	-
Purchases of capital assets	<b>(17,796)</b>	<b>17,796</b>	-	-	-	-
<b>Net assets, end of year</b>	<b>318,261</b>	<b>103,543</b>	<b>421,804</b>	<b>2,923,800</b>	<b>3,345,604</b>	2,062,535

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, 2015

	2015	2014
	\$	(Note 15) \$
<b>Operating activities</b>		
Excess of revenue over expenses	1,283,069	52,114
Items not affecting cash flows		
Amortization	185,452	195,034
Unrealized gain on investments	-	(12,983)
Amortization of deferred lease inducement	(11,260)	(11,260)
	<b>1,457,261</b>	<b>222,905</b>
Changes in working capital items		
Accounts receivable	8,308,176	(5,952,003)
Prepaid expenses	(35,999)	159,609
Accounts payable and accrued liabilities	(3,863,729)	4,165,200
Deferred revenue	(7,923,652)	(4,347,940)
	<b>(2,057,943)</b>	<b>(5,752,229)</b>
<b>Investing activities</b>		
Net change in marketable securities	(469,778)	(1,922,255)
Purchases of capital assets	(17,796)	(58,826)
	<b>(487,574)</b>	<b>(1,981,081)</b>
Net decrease in cash for the year	<b>(2,545,517)</b>	<b>(7,733,310)</b>
Cash, beginning of year	<b>15,685,870</b>	<b>23,419,180</b>
<b>Cash, end of year</b>	<b>13,140,353</b>	<b>15,685,870</b>

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, 2015

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### 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 29 independent non-profit organization members (26 full members and three 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 the Every Last Child integrated campaign (program, policy, and fundraising). To ensure that children survive, learn and are protected, we must end discriminatory and financial barriers to education, health and child protection services for all children. The Organization's campaign and program delivery is supported by five Global Thematic groups – in health and nutrition, education, child poverty, 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

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. 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.

#### Marketable securities

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

# Save the Children Canada

## Notes to the financial statements

December 31, 2015

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### 2. Summary of significant accounting policies (continued)

#### *Basis of presentation (continued)*

##### 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, 2015.

##### 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, 2015

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### 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:

	2015	2014
	\$	\$
Deferred revenue (Note 7)	20,055,952	24,866,094
Reserve Fund	2,923,800	2,010,421
	<b>22,979,752</b>	26,876,515
Add payable to partners	1,896,879	5,020,478
Less advances to partners (Note 5)	(7,837,034)	(12,789,469)
Total restricted	17,039,597	19,107,524
Unrestricted	1,253,650	1,261,462
Total cash and marketable securities	<b>18,293,247</b>	20,368,986
Consisting of		
Cash	13,140,353	15,685,870
Marketable securities (Note 4)	5,152,894	4,683,116
	<b>18,293,247</b>	20,368,986

# Save the Children Canada

## Notes to the financial statements

December 31, 2015

### 4. Marketable securities

Marketable securities are comprised of the following investments:

	2015	2014
	\$	\$
Fixed income	453,471	453,802
Mutual funds	1,597,056	1,556,740
Mutual funds - U.S. dollars	3,102,367	2,672,574
	<b>5,152,894</b>	<b>4,683,116</b>

Fixed income investments consist of a guaranteed investment certificate with a maturity date of August 29, 2016 (2014 - July 6, 2015) and bearing interest at 0.95% (2014 - 1.72%).

### 5. Accounts receivable

	2015	2014
	\$	\$
Accounts receivable	1,839,018	2,081,249
Advances to partners	7,837,034	12,789,469
	<b>9,676,052</b>	<b>14,870,718</b>

### 6. Capital assets

	2015		2014	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture, fixtures and equipment	191,666	180,958	10,708	15,957
Computer hardware	401,540	390,879	10,661	-
Computer software	538,368	472,506	65,862	227,670
Leasehold improvements	281,991	211,734	70,257	81,517
	<b>1,413,565</b>	<b>1,256,077</b>	<b>157,488</b>	<b>325,144</b>

### 7. Deferred revenue

Deferred revenue comprises the following:

	2015	2014
	\$	\$
Global Affairs Canada grants	7,347,708	14,822,384
Donations	2,408,165	1,014,356
Other International Organizations	8,466,669	4,244,338
Foundations	1,833,410	4,785,016
	<b>20,055,952</b>	<b>24,866,094</b>

# Save the Children Canada

## Notes to the financial statements

December 31, 2015

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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:

	\$
2016	380,078
2017	378,997
2018	383,123
2019	386,585
2020	317,332
	<hr/> <b>1,846,115</b>

### 9. Inter-fund transfer

The Board of Directors approved the transfer of \$480,663 (2014 - \$930,470) from the General Fund to the Reserve 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, 2015.

### 11. Allocation of expenses

The Organization has allocated its common expenses as follows:

	2015			
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	73,863	176,135	90,908	340,906
Administration	75,735	180,598	93,212	349,545
	<hr/> <b>149,598</b>	<hr/> <b>356,733</b>	<hr/> <b>184,120</b>	<hr/> <b>690,451</b>

# Save the Children Canada

## Notes to the financial statements

December 31, 2015

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### 11. Allocation of expenses (continued)

				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
	193,298	247,474	179,139	619,911

### 12. Accounts payable and accrued liabilities

There are \$Nil outstanding government remittances as at December 31, 2015 and 2014.

### 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 \$7,128,711 (2014 - \$6,251,593).

### 14. International program expenses

	2015	2014
	\$	\$
East Africa	17,350,174	16,014,399
Middle East	9,854,022	11,134,292
India/Asia	6,208,233	8,043,597
West Africa	6,846,550	5,889,151
Program management	6,207,072	5,836,670
South America	5,623,076	4,555,031
North America	1,190,622	1,787,186
Central Africa	447,734	940,403
Central America	387,023	397,303
Europe	-	369,862
	54,114,506	54,967,894

# Save the Children Canada

## Notes to the financial statements

December 31, 2015

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### 15. Comparative amounts

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

	December 31, 2014	
	As amended	As previously stated
	\$	\$
Statement of financial position		
Assets		
Accounts receivable	14,870,718	18,668,594
Liabilities		
Accounts payable and accrued liabilities	8,669,349	12,467,225
	<u>6,201,369</u>	<u>6,201,369</u>
Statement of operations		
Fundraising expenses	2,355,672	3,935,936
Marketing expenses	1,580,264	-
	<u>3,935,936</u>	<u>3,935,936</u>
Statement of cash flows		
Changes in working capital items		
Accounts receivable	5,952,003	9,749,879
Accounts payable and accrued liabilities	4,165,200	7,963,076
	<u>1,786,803</u>	<u>1,786,803</u>