

Financial statements of

Save the Children Canada

December 31, 2016

Save the Children Canada

December 31, 2016

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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, 2016, the statements of operations and 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, 2016 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 29, 2017

Save the Children Canada


Statement of financial position as at December 31, 2016

	2016	2015 (Note 15)
	\$	\$
Assets		
Current assets		
Cash (Note 3)	16,123,732	13,140,353
Marketable securities (Notes 3 and 4)	1,626,200	5,152,894
Accounts receivable	1,294,948	1,839,018
Advances to partners	11,403,083	7,837,034
Prepaid expenses	195,315	134,334
	30,643,278	28,103,633
Capital assets (Note 5)	137,840	157,488
	30,781,118	28,261,121
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	4,784,632	4,805,620
Deferred revenue (Note 6)	21,549,927	20,055,952
Deferred lease inducement	42,685	11,260
	26,377,244	24,872,832
Deferred lease inducement	-	42,685
	26,377,244	24,915,517
Commitments (Note 7)		
Net assets		
General Fund (Note 14)	480,074	421,804
Reserve Fund	2,923,800	2,923,800
Strategic Initiatives Fund	1,000,000	-
	4,403,874	3,345,604
	30,781,118	28,261,121

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 and changes in net assets
year ended December 31, 2016

	2016				2015		
	General Fund (Note 14)	Reserve Fund	Strategic Initiatives Fund	Total	General Fund (Note 14)	Reserve Fund	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Contributions	20,232,901	-	-	20,232,901	16,521,963	-	16,521,963
Global Affairs Canada	33,114,064	-	-	33,114,064	35,434,947	-	35,434,947
International grants	9,076,151	-	-	9,076,151	8,146,858	-	8,146,858
Interest and other income	5,450	54,306	-	59,756	50,107	-	50,107
Amortization of deferred lease inducement	11,260	-	-	11,260	11,260	-	11,260
Bequests	31,129	176,395	-	207,524	76,362	432,716	509,078
Total revenue	62,470,955	230,701	-	62,701,656	60,241,497	432,716	60,674,213
Program expenses							
International (Note 13)	52,365,416	-	-	52,365,416	54,114,606	-	54,114,606
Canadian	1,545,522	-	-	1,545,522	451,849	-	451,849
	53,910,938	-	-	53,910,938	54,566,455	-	54,566,455
Operating and other expenses							
Fundraising	2,391,693	-	-	2,391,693	2,363,360	-	2,363,360
Marketing	2,873,856	-	-	2,873,856	1,522,345	-	1,522,345
Unrealized capital loss	1,568	21,911	-	23,479	82,895	-	82,895
General administration	2,323,104	12,838	-	2,335,942	1,907,319	-	1,907,319
Amortization	81,140	-	-	81,140	185,452	-	185,452
	7,671,361	34,749	-	7,706,110	6,061,371	-	6,061,371
Total expenses	61,582,299	34,749	-	61,617,048	60,627,826	-	60,627,826
Excess of revenue over expenses for the year before the undernoted Foreign exchange (loss) gain	888,656	195,952	-	1,084,608	(386,329)	432,716	46,387
	(26,338)	-	-	(26,338)	1,236,682	-	1,236,682
Excess of revenue over expenses for the year	862,318	195,952	-	1,058,270	850,353	432,716	1,283,069
Net assets, beginning of year	421,804	2,923,800	-	3,345,604	52,114	2,010,421	2,062,535
Inter-fund transfers (Note 8)	(804,048)	(195,952)	1,000,000	-	(480,663)	480,663	-
Net assets, end of year	480,074	2,923,800	1,000,000	4,403,874	421,804	2,923,800	3,345,604

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, 2016

	2016	2015
	\$	(Note 15) \$
Operating activities		
Excess of revenue over expenses	1,058,270	1,283,069
Items not affecting cash flows		
Amortization	81,140	185,452
Amortization of deferred lease inducement	(11,260)	(11,260)
	1,128,150	1,457,261
Changes in working capital items		
Accounts receivable	544,070	3,355,741
Advances to partners	(3,566,049)	4,952,435
Prepaid expenses	(60,981)	(35,999)
Accounts payable and accrued liabilities	(20,988)	(3,863,729)
Deferred revenue	1,493,975	(7,923,652)
	(481,823)	(2,057,943)
Investing activities		
Net change in marketable securities	3,526,694	(469,778)
Purchases of capital assets	(61,492)	(17,796)
	3,465,202	(487,574)
Net increase (decrease) in cash for the year	2,983,379	(2,545,517)
Cash, beginning of year	13,140,353	15,685,870
Cash, end of year	16,123,732	13,140,353

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, 2016

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 28 independent non-profit organization members (26 full members and two 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

Basis of presentation

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, 2016

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, 2016.

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, 2016

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Reserve Fund

The Reserve Fund was established to provide a reserve of approximately six months of operating expenses to protect the Board of Directors and the Organization in adverse circumstances. It is funded by an allocation of bequest revenue and any general revenue as necessary. Funding in excess of the Reserve Fund target is transferred to the General Fund or may be used for other specific expenses as determined by the Board of Directors.

Strategic Initiatives Fund

The Strategic Initiatives Fund was established in 2016 to be funded from transfers from the General Fund and used for specific purposes in building the capacity of the Organization and funding longer term initiatives as determined by the Board of Directors.

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.

3. Restricted assets

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

	2016	2015
	\$	\$
Deferred revenue (Note 6)	21,549,927	20,055,952
Reserve Fund	2,923,800	2,923,800
Strategic Initiatives Fund	1,000,000	-
	<u>25,473,727</u>	<u>22,979,752</u>
Add payable to partners	3,539,724	1,896,879
Less advances to partners	<u>(11,403,083)</u>	<u>(7,837,034)</u>
Total restricted	17,610,368	17,039,597
Unrestricted	139,564	1,253,650
Total cash and marketable securities	<u>17,749,932</u>	<u>18,293,247</u>
Consisting of		
Cash	16,123,732	13,140,353
Marketable securities (Note 4)	<u>1,626,200</u>	<u>5,152,894</u>
	<u>17,749,932</u>	<u>18,293,247</u>

Save the Children Canada

Notes to the financial statements

December 31, 2016

4. Marketable securities

Marketable securities are comprised of the following investments:

	2016	2015
	\$	\$
Fixed income	-	453,471
Mutual funds	1,626,200	1,597,056
Mutual funds - U.S. dollars	-	3,102,367
	1,626,200	5,152,894

As at December 31, 2015, fixed income investments consisted of a guaranteed investment certificate with a maturity date of August 29, 2016 and bore interest at 0.95%.

5. Capital assets

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture, fixtures and equipment	191,666	186,079	5,587	10,708
Computer hardware	463,033	424,913	38,120	10,661
Computer software	538,368	503,232	35,136	65,862
Leasehold improvements	310,865	251,868	58,997	70,257
	1,503,932	1,366,092	137,840	157,488

6. Deferred revenue

Deferred revenue comprises the following:

	2016	2015
	\$	\$
Global Affairs Canada grants	12,058,419	7,347,708
Donations	2,194,882	2,408,165
Other International Organizations	2,674,763	8,466,669
Foundations	4,621,863	1,833,410
	21,549,927	20,055,952

Save the Children Canada

Notes to the financial statements

December 31, 2016

7. Commitments

The Organization has entered into operating commitments and rental leases with various expiry dates to March 2025. The annual payments are as follows:

	\$
2017	527,010
2018	569,791
2019	583,576
2020	588,171
2021	601,956
Thereafter	2,008,053
	<hr/> 4,878,557

8. Inter-fund transfers

During the year, the Board of Directors approved the transfer of \$804,048 from the General Fund and \$195,952 from the Reserve Fund to the Strategic Initiatives Fund.

During 2015, the Board of Directors approved the transfer of \$480,663 from the General Fund to the Reserve Fund.

9. 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, 2016.

10. Allocation of expenses

The Organization has allocated its common expenses as follows:

	2016			
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	73,429	162,592	125,878	361,899
Administration	58,289	129,070	99,925	287,284
	<hr/> 131,718	<hr/> 291,662	<hr/> 225,803	<hr/> 649,183

Save the Children Canada

Notes to the financial statements

December 31, 2016

10. Allocation of expenses (continued)

				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
	149,598	356,733	184,120	690,451

11. Accounts payable and accrued liabilities

There are no outstanding government remittances as at December 31, 2016 and 2015.

12. 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 \$7,132,309 (2015 - \$7,128,711).

13. International program expenses

	2016	2015
	\$	\$
East Africa	17,550,233	17,350,174
Middle East	12,536,100	9,854,022
India/Asia	3,320,837	6,208,233
West Africa	6,446,270	6,846,550
Program management	6,752,054	6,207,072
South America	5,444,339	5,623,076
North America	260,459	1,190,622
Central Africa	-	447,734
Central America	55,124	387,023
	52,365,416	54,114,506

14. General Fund

			2016
	Operations	Invested in capital assets	Total
	\$	\$	\$
Balance, beginning of year	318,261	103,543	421,804
Excess (deficiency) of revenue over expenses	932,198	(69,880)	862,318
Inter-fund transfer (Note 8)	(804,048)	-	(804,048)
Purchases of capital assets	(61,492)	61,492	-
	384,919	95,155	480,074

Save the Children Canada

Notes to the financial statements

December 31, 2016

14. General Fund (continued)

	2015		
	Operations	Invested in capital assets	Total
	\$	\$	\$
Balance, beginning of year	(207,825)	259,939	52,114
Excess (deficiency) of revenue over expenses	1,024,545	(174,192)	850,353
Inter-fund transfer (Note 9)	(480,663)	-	(480,663)
Purchases of capital asstes	(17,796)	17,796	-
	<u>318,261</u>	<u>103,543</u>	<u>421,804</u>

15. Comparative amounts

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

	As at December 31, 2015	
	As Amended	As previously presented
	\$	\$
Statement of financial position		
Assets		
Accounts receivable	1,839,018	9,676,052
Advances to partners	7,837,034	-
	<u>9,676,052</u>	<u>9,676,052</u>
Statement of cash flows		
Changes in working capital items		
Accounts receivable	3,355,741	8,308,176
Advances to partners	4,952,435	-
	<u>8,308,176</u>	<u>8,308,176</u>