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# Financial statements of Save the Children Canada

December 31, 2018

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# Independent Auditor's Report

To the Members of  
Save the Children Canada

## Opinion

We have audited the financial statements of Save the Children Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in net assets and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized script font followed by "LLP" in a bold, sans-serif font.

Chartered Professional Accountants  
Licensed Public Accountants  
May 29, 2019

# Save the Children Canada

## Statement of financial position

As at December 31, 2018

	Notes	2018	2017
		\$	\$
<b>Assets</b>			
Current assets			
Cash	3	14,581,903	15,961,424
Marketable securities	3 and 4	2,110,186	2,091,869
Accounts receivable		1,450,424	753,954
Advances to partners		4,183,493	4,358,062
Prepaid expenses		129,910	146,203
		<b>22,455,916</b>	23,311,512
Capital assets	5	<b>1,044,893</b>	1,215,943
		<b>23,500,809</b>	24,527,455
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	11	1,920,805	3,114,685
Deferred revenue	6	16,311,095	17,455,659
		<b>18,231,900</b>	20,570,344
Commitments	7		
<b>Net assets</b>			
General Fund	14	1,295,109	683,311
Reserve Fund		2,973,800	2,923,800
Strategic Initiatives Fund		1,000,000	350,000
		<b>5,268,909</b>	3,957,111
		<b>23,500,809</b>	24,527,455

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

On behalf of the Board

	Director
	Director

# Save the Children Canada

## Statement of operations and changes in net assets

Year ended December 31, 2018

	Notes	2018				2017	
		General Fund	Strategic Initiatives Fund	Reserve Fund	Total	General Fund	Strategic Initiatives Fund
		(Note 14)				(Note 14)	
<b>Revenue</b>							
Contributions		15,187,151	—	—	15,187,151	21,438,537	—
Global Affairs Canada		30,938,930	—	—	30,938,930	27,376,951	—
International grants		1,843,723	—	—	1,843,723	4,423,255	—
Interest and other income		69,795	—	—	69,795	66,723	—
Amortization of deferred lease inducement		—	—	—	—	42,685	—
Bequests		288,342	—	1,633,944	1,922,286	103,411	—
Total revenue		48,327,941	—	1,633,944	49,961,885	53,451,562	—
<b>Program expenses</b>							
International	13	40,218,290	—	—	40,218,290	45,430,167	—
Canadian		1,377,633	—	—	1,377,633	997,769	—
		41,595,923	—	—	41,595,923	46,427,936	—
<b>Operating and other expenses</b>							
Fundraising		3,932,939	—	—	3,932,939	3,992,761	650,000
Communication		695,992	—	—	695,992	339,401	—
Unrealized capital loss		—	—	31,642	31,642	—	—
General administration		2,213,925	—	—	2,213,925	2,840,655	—
Loss on disposal of assets		—	—	—	—	728	—
Amortization		180,935	—	—	180,935	132,408	—
		7,023,791	—	31,642	7,055,433	7,305,953	650,000
<b>Total expenses</b>		48,619,714	—	31,642	48,651,356	53,733,889	650,000
(Deficiency) excess of revenue over expenses for the year before the undernoted		(291,773)	—	1,602,302	1,310,529	(282,327)	(650,000)
Foreign exchange gain (loss)		1,269	—	—	1,269	(53,113)	—
(Deficiency) excess of revenue over expenses for the year		(290,504)	—	1,602,302	1,311,798	(335,440)	(650,000)
Net assets, beginning of year		683,311	350,000	2,923,800	3,957,111	480,074	1,000,000
Inter-fund transfers	8	902,302	650,000	(1,552,302)	—	538,677	(538,677)
<b>Net assets, end of year</b>		1,295,109	1,000,000	2,973,800	5,268,909	683,311	350,000
						2,923,800	3,957,111

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

**Save the Children Canada****Statement of cash flows**

Year ended December 31, 2018

	<b>2018</b>	2017
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	<b>1,311,798</b>	(446,763)
Items not affecting cash flows		
Amortization	<b>180,935</b>	132,408
Amortization of deferred lease inducement	<b>—</b>	(42,685)
	<b>1,492,733</b>	(357,040)
Changes in working capital items		
Accounts receivable	<b>(696,470)</b>	(47,182)
Advances to partners	<b>174,569</b>	3,736,934
Prepaid expenses	<b>16,293</b>	49,112
Accounts payable and accrued liabilities	<b>(1,193,880)</b>	1,842,176
Deferred revenue	<b>(1,144,564)</b>	(4,094,268)
	<b>(1,351,319)</b>	1,129,732
<b>Investing activities</b>		
Net change in marketable securities	<b>(18,317)</b>	(465,669)
Purchases of capital assets	<b>(9,885)</b>	(1,210,511)
	<b>(28,202)</b>	(1,676,180)
Net decrease in cash for the year	<b>(1,379,521)</b>	(546,448)
Cash, beginning of year	<b>15,961,424</b>	16,507,872
<b>Cash, end of year</b>	<b>14,581,903</b>	15,961,424

As indicated in Note 3, certain of the Organization's cash and marketable securities are restricted.

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

## **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 28 independent non-profit organization members (27 full members and one associate member). 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 are implemented by SCI to be delivered through a merged operation with approximately 14,000 staff, managed through seven regional hubs and reporting to a central office.

In addition to development and humanitarian programming, an important part of the Organisation's work is achieved through advocacy campaigning. The Organization's current campaign, Every Last Child, sets out to ensure that children survive, learn and are protected, bringing an end to 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. These activities are funded through grants from institutional donors such as Global Affairs Canada and multilateral funding institutions, partnership with corporations and foundations, and donations from the public.

The Organization controls STCC NPO by virtue of common Board members. STCC NPO was incorporated under the Canada Not-for-Profit Corporations Act on October 22, 2018 and established to pass through certain costs not related to Canadian operations and coordinate activities of the Organization with those of other Save the Children members.

## **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. The financial statements of STCC NPO have not been consolidated with the financial statements of the Organization. Details of this non-consolidated entity are provided in Note 15.

### *Financial instruments*

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



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

### *Basis of presentation (continued)*

#### *Financial instruments (continued)*

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 and changes in net assets.

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

#### *Marketable securities*

Marketable securities comprise mutual funds traded in active markets.

#### *Advances to partners*

Advances to partners, 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.

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

### *Basis of presentation (continued)*

#### *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 budgeted headcount.

#### *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 and changes in net assets.

#### *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.

#### *Donations in-kind*

Donations in-kind are valued at fair value. The recognition of donations in-kind is limited to donations where the Organization takes possession or constructive title of the donation in-kind and either the Organization was the original recipient of the donations, or was involved in partnership with the end user third party organization, or the donations were used in the Organization's programs. Donations in-kind are recorded as revenue and expense at the time when they are received by the beneficiary of the donation in-kind.

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

*Basis of presentation (continued)*

*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:

	2018			2017		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
	\$	\$	\$	\$	\$	\$
Deferred revenue (Note 6)	16,311,095	—	16,311,095	17,455,659	—	17,455,659
Reserve Fund	—	2,973,800	2,973,800	—	2,923,800	2,923,800
Strategic Initiatives Fund	—	1,000,000	1,000,000	—	350,000	350,000
	16,311,095	3,973,800	20,284,895	17,455,659	3,273,800	20,729,459
Add payable to partners	55,177	—	55,177	1,379,579	—	1,379,579
Less advances to partners	(4,183,493)	—	(4,183,493)	(4,358,062)	—	(4,358,062)
Total restricted	12,182,779	3,973,800	16,156,579	14,477,176	3,273,800	17,750,976
Unrestricted			535,510			302,317
Total cash and marketable securities			16,692,089			18,053,293
Consisting of						
Cash			14,581,903			15,961,424
Marketable securities			2,110,186			2,091,869
(Note 4)			16,692,089			18,053,293

#### 4. Marketable securities

Marketable securities in the amount of \$2,110,186 (\$2,091,869 in 2017) are comprised of mutual funds.

#### 5. Capital assets

	<b>2018</b>			2017
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>	Net book value
	\$	\$	\$	\$
Furniture, fixtures and equipment	<b>297,318</b>	<b>58,583</b>	<b>238,735</b>	280,564
Computer hardware	<b>523,723</b>	<b>518,050</b>	<b>5,673</b>	42,123
Computer software	<b>538,368</b>	<b>503,232</b>	<b>35,136</b>	35,136
Leasehold improvements	<b>880,630</b>	<b>115,281</b>	<b>765,349</b>	858,120
	<b>2,240,039</b>	<b>1,195,146</b>	<b>1,044,893</b>	1,215,943

#### 6. Deferred revenue

Deferred revenue consists of the following:

	<b>2018</b>	2017
	\$	\$
Global Affairs Canada grants	<b>13,799,873</b>	9,844,581
Donations	<b>1,895,158</b>	1,532,753
Other International Organizations	<b>230,795</b>	444,495
Foundations	<b>385,269</b>	5,633,830
	<b>16,311,095</b>	17,455,659

#### 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:

	\$
2019	624,242
2020	630,182
2021	637,913
2022	645,643
2023	643,785
Thereafter	813,480
	<u>3,995,245</u>

## 8. Inter-fund transfers

For the year, the Board of Directors approved the following transfers:

- (a) \$902,302 (\$538,677 in 2017) from the Reserve Fund to the General Fund; and
- (b) \$650,000 (\$nil in 2017) from the Reserve Fund to the Strategic Initiatives 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, 2018 and 2017.

## 10. Allocation of expenses

The Organization has allocated its general support costs as follows:

				2018
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	152,874	315,700	140,129	608,703
Shared cost	69,657	143,848	63,850	277,355
	<b>222,531</b>	<b>459,548</b>	<b>203,979</b>	<b>886,058</b>

  

				2017
	Fundraising	Program expenses	General administration	Total
	\$	\$	\$	\$
Rent and utilities	116,047	232,094	128,730	476,871
Shared cost	80,460	160,920	89,254	330,634
	<b>196,507</b>	<b>393,014</b>	<b>217,984</b>	<b>807,505</b>

# **11. Accounts payable and accrued liabilities**

There are no outstanding government remittances as at December 31, 2018 and 2017.

# **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 \$10,076,000 (\$8,306,195 in 2017).

# **13. International program expenses**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
East Africa	<b>13,964,132</b>	19,120,027
Middle East	<b>5,899,870</b>	7,528,926
Program management	<b>7,564,032</b>	7,393,726
West Africa	<b>8,223,299</b>	5,938,202
South America	<b>1,760,537</b>	4,416,398
India/Asia	<b>2,692,977</b>	1,032,888
Central America	<b>113,443</b>	—
	<b>40,218,290</b>	45,430,167

# **14. General Fund**

	<b>2018</b>		
	<b>Operations</b>	<b>Invested in capital assets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>(532,632)</b>	<b>1,215,943</b>	<b>683,311</b>
Deficiency of revenue over expenses	<b>(109,569)</b>	<b>(180,935)</b>	<b>(290,504)</b>
Inter-fund transfers (Note 8)	<b>902,302</b>	<b>—</b>	<b>902,302</b>
Purchases of capital assets	<b>(9,885)</b>	<b>9,885</b>	<b>—</b>
	<b>250,216</b>	<b>1,044,893</b>	<b>1,295,109</b>

#### 14. General Fund (continued)

			2017
	Operations	Invested in capital assets	Total
	\$	\$	\$
Balance, beginning of year	384,919	95,155	480,074
Deficiency of revenue over expenses	(245,717)	(89,723)	(335,440)
Inter-fund transfer (Note 8)	538,677	—	538,677
Purchases of capital assets	(1,210,511)	1,210,511	—
	(532,632)	1,215,943	683,311

#### 15. STCC NPO

Financial summaries of STCC NPO as at, and for the year ended, December 31, 2018, are as follows:

##### *Financial position:*

	\$
Total assets	<b>54,253</b>
Total liabilities	<b>56,850</b>
Total net assets	<b>(2,597)</b>
	<b>54,253</b>

##### *Results of operations:*

	\$
Total revenue	<b>54,154</b>
Total expenses	<b>56,751</b>
Deficiency of revenue over expenses	<b>(2,597)</b>

##### *Related party balances and transactions:*

During the year, the Organization made payments on behalf of STCC NPO in the amount of \$56,603. This amount is outstanding from STCC NPO as at December 31, 2018.

#### 16. Donations in-kind

The financial statements include \$467,825 (\$559,923 in 2017) with respect to donations in-kind, which is included in contribution revenue and program expenses in the Statement of operations and changes in net assets.