
Financial statements of Save the Children Canada

December 31, 2022

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Independent Auditor's Report

To the Board of Directors 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, 2022, 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, 2022, 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.

Deloitte LLP


Chartered Professional Accountants
Licensed Public Accountants
May 23, 2023

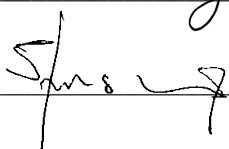
Save the Children Canada
Statement of financial position
As at December 31, 2022

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash	3	25,884,647	25,223,542
Marketable securities	3 and 4	2,068,133	2,233,073
Accounts receivable		2,757,811	1,959,202
Advances to partners		7,864,516	5,922,126
Prepaid expenses		128,950	141,203
		38,704,057	35,479,146
Capital assets	5	551,719	645,579
		39,255,776	36,124,725
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	3,399,860	2,180,928
Deferred revenue	3 and 6	27,939,410	26,771,639
Deferred lease inducement	7	10,673	10,673
		31,349,943	28,963,240
Deferred lease inducement	7	34,717	45,397
		31,384,660	29,008,637
Commitments	8		
Net assets			
General Fund	15	2,997,316	2,632,519
Strategic Initiatives Fund		1,750,000	1,409,769
Reserve Fund		3,123,800	3,073,800
		7,871,116	7,116,088
		39,255,776	36,124,725

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, 2022

Notes	General Fund	Strategic Initiatives Fund	Reserve Fund	2022 Total	General Fund	Strategic Initiatives Fund	Reserve Fund	2021 Total	
	\$	\$	\$	\$	\$	\$	\$	\$	
	(Note 15)				(Note 15)				
Revenue									
	17	15,058,555	—	—	15,058,555	14,040,319	—	—	14,040,319
		48,104,900	—	—	48,104,900	35,864,869	—	—	35,864,869
		1,067,673	—	—	1,067,673	239,002	—	—	239,002
		92,212	—	—	92,212	41,994	—	—	41,994
		178,570	—	1,011,902	1,190,472	187,554	—	1,062,806	1,250,360
		64,501,910	—	1,011,902	65,513,812	50,373,738	—	1,062,806	51,436,544
Program expenses									
	11 and 17	54,707,894	79,081	—	54,786,975	40,584,142	15,206	—	40,599,348
	14	1,448,936	70,848	—	1,519,784	1,681,308	—	—	1,681,308
		56,156,830	149,929	—	56,306,759	42,265,450	15,206	—	42,280,656
Operating and other expenses									
	11	4,950,616	—	—	4,950,616	4,713,127	111,230	—	4,824,357
		343,128	—	—	343,128	405,031	63,795	—	468,826
	11	2,741,789	97,731	—	2,839,520	2,333,163	—	—	2,333,163
		160,281	—	—	160,281	165,404	—	—	165,404
		8,195,814	97,731	—	8,293,545	7,616,725	175,025	—	7,791,750
		64,352,644	247,660	—	64,600,304	49,882,175	190,231	—	50,072,406
		149,266	(247,660)	1,011,902	913,508	491,563	(190,231)	1,062,806	1,364,138
		50,210	—	—	50,210	(10,314)	—	—	(10,314)
		—	—	(208,690)	(208,690)	—	—	(84,668)	(84,668)
		199,476	(247,660)	803,212	755,028	481,249	(190,231)	978,138	1,269,156
		2,632,519	1,409,769	3,073,800	7,116,088	2,023,132	800,000	3,023,800	5,846,932
	9	165,321	587,891	(753,212)	—	128,138	800,000	(928,138)	—
		2,997,316	1,750,000	3,123,800	7,871,116	2,632,519	1,409,769	3,073,800	7,116,088

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

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

Year ended December 31, 2022

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	755,028	1,269,156
Items not affecting cash flows		
Change in unrealized losses on marketable securities	208,690	84,668
Amortization of capital assets	160,281	165,404
Amortization of deferred lease inducement	(10,680)	(10,680)
	1,113,319	1,508,548
Changes in working capital items		
Accounts receivable	(798,609)	(490,198)
Advances to partners	(1,942,390)	(2,217,813)
Prepaid expenses	12,253	(50,095)
Accounts payable and accrued liabilities	1,218,932	1,334,240
Deferred revenue	1,167,771	7,222,083
	771,276	7,306,765
Investing activities		
Purchase of marketable securities, net	(43,750)	(34,581)
Purchases of capital assets	(66,421)	(35,454)
	(110,171)	(70,035)
Net increase in cash for the year	661,105	7,236,730
Cash, beginning of year	25,223,542	17,986,812
Cash, end of year	25,884,647	25,223,542

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 charity under the *Income Tax Act (Canada)*, 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 ("SCA"), a Swiss Membership organization.

SCA comprises 30 independent non-profit organization members (27 full members and 3 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 SCA 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 within 116 countries, managed through seven regional hubs and reporting to a central office.

The Organization continues to design programs, coordinate with donors and provide technical assistance to ensure program quality, monitoring and reporting. The Organization's program delivery is centered on five thematic priorities in health and nutrition, education, child poverty, child protection and child rights governance. These activities are funded through grants from institutional donors such as Global Affairs Canada and multilateral funding institutions, partnerships with corporations and foundations, and donations from the public.

In addition to development and humanitarian programming, an important part of the Organization's work is achieved through advocacy campaigning and engaging Canadians to take action to advance children's rights. The Organization's current campaign, Protect a Generation: Children Cannot Wait, is calling on world leaders to invest in protecting children from the triple threat of conflict, climate change and COVID-19. The goal of this is to stop the pandemic from reversing decades of hard-won progress advancing children's access to food, education, healthcare, vaccinations, and protection. The Organization prioritizes responding to the needs of the most marginalized, deprived and hardest to reach children living in places like war zones, remote communities and refugee camps who are most at risk.

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 SCA 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 16.

Financial instruments

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

2. Summary of significant accounting policies (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 in marketable securities 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 marketable securities is determined directly from published bid prices in an active market.

Marketable securities

Marketable securities are comprised of 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

Revenue recognition

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

Interest and other income includes dividend and interest income. Unrealized investment gains and losses are separately presented on the statement of operations and changes in the net assets.

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.

2. Summary of significant accounting policies (continued)

Deferred lease inducement

Deferred lease inducement consists of a leasehold improvement allowance which is amortized on the straight-line basis over the term of the lease.

Allocation of expenses

The Organization allocates general support costs consisting of rent and utilities, and shared costs, 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. Foreign exchange gains and losses are included in the Statement of operations and changes in net assets.

Reserve Fund

The Reserve Fund was internally restricted by the Board of Directors to provide a reserve of approximately six months of operating expenses to protect the Organization in adverse circumstances. It is funded by an allocation of bequest contributions and through Board approved transfer of unrestricted contributions from the General Fund. 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 is internally restricted and 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.

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 the valuation of marketable securities, accrued liabilities, the recognition of deferred revenue, and amortization of capital assets.

3. Restricted cash and marketable securities

	2022	2021
	\$	\$
Total cash and marketable securities		
Cash	25,884,647	25,223,542
Marketable securities (Note 4)	2,068,133	2,233,073
	27,952,780	27,456,615
Externally restricted		
Deferred revenue (Note 6)	27,939,410	26,771,639
Payable to partners	969,102	368,025
Less: advances to partners	(7,864,516)	(5,922,126)
	21,043,996	21,217,538
Cash and marketable securities not subject to external restrictions and before internally restricted net assets	6,908,784	6,239,077
Internally restricted		
Strategic Initiatives Fund	1,750,000	1,409,769
Reserve Fund	3,123,800	3,073,800
	4,873,800	4,483,569
Unrestricted cash and marketable securities	2,034,984	1,755,508

4. Marketable securities

Marketable securities consist of the following:

	2022		2021
	Cost	Fair value	Cost
	\$	\$	\$
Canadian Short-term income mutual fund	668,332	607,755	658,363
Bond fund mutual fund	1,222,153	986,344	1,194,950
Investment savings mutual fund	474,034	474,034	467,456
	2,364,519	2,068,133	2,320,769
			2,233,073

5. Capital assets

	Cost \$	Accumulated amortization \$	2022 Net book value \$	2021 Net book value \$
Furniture, fixtures and equipment	296,593	227,422	69,171	103,070
Computer hardware	697,130	608,855	88,275	55,471
Computer software	538,368	538,368	—	—
Leasehold improvements	880,630	486,357	394,273	487,038
	2,412,721	1,861,002	551,719	645,579

6. Deferred revenue

Deferred revenue consists of the following:

	2022 \$	2021 \$
Global Affairs Canada	20,067,588	22,758,045
Donations	4,631,172	2,387,478
International Grants	344,404	907,223
Foundations	2,896,246	718,893
	27,939,410	26,771,639

7. Deferred lease inducement

	2022 \$	2021 \$
Opening balance	56,070	66,750
Less: amortization	(10,680)	(10,680)
Ending balance	45,390	56,070
Less: current portion	10,673	10,673
	34,717	45,397

8. Commitments

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

	\$
2023	564,946
2024	563,393
2025	140,304
	1,268,643

8. Commitments (continued)

- (b) The Organization received funding from Global Affairs Canada to support projects in various countries. The funding is dependent upon agreements, which require, in some cases, that the Organization contribute to the project(s) a cost share as a set percentage in the form of cash. Future cost share commitments consist of the following:

	Total cost-share commitments	Secured commitments	Balance
	\$	\$	\$
2023	447,557	326,619	120,938
2024	227,914	—	227,914
2025 and after	3,765,783	280,345	3,485,438
	4,441,254	606,964	3,834,290

Subsequent to the year end, the Organization has secured an additional \$86,000 (\$133,579 in 2021).

9. Inter-fund transfers

During the year, the Board of Directors approved the following inter-fund transfers:

- (a) \$ 165,321 (\$128,138 in 2021) from the Reserve Fund to the General Fund;
(b) \$ 587,891 (\$800,000 in 2021) from the Reserve Fund to the Strategic Initiatives Fund.

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, 2022 and 2021.

11. Allocation of expenses

	Fundraising	Program expenses	General administration	2022
	\$	\$	\$	\$
Rent and utilities	149,305	277,280	127,975	554,560
Shared costs	133,383	247,712	114,329	495,424
	282,688	524,992	242,304	1,049,984
	Fundraising	Program expenses	General administration	2021
	\$	\$	\$	\$
Rent and utilities	140,783	281,566	140,783	563,132
Shared costs	111,682	223,363	111,682	446,727
	252,465	504,929	252,465	1,009,859

12. Accounts payable and accrued liabilities

There are no outstanding government remittances as at December 31, 2022 and 2021.

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 \$13,068,865 (\$10,859,686 in 2021).

14. International program expenses

International program expenses by region, including program management

	2022	2021
	\$	\$
West Africa	24,050,417	19,552,372
Middle East	5,173,491	4,621,488
East Africa	7,955,557	4,183,692
South America	5,183,662	3,991,660
India/Asia	222,366	717,163
Southern Africa	4,608	465,663
Central America	1,564,126	7,778
Eastern Europe	2,429,005	—
Program management	4,788,679	4,365,850
International Partners	3,415,064	2,693,682
	54,786,975	40,599,348

14. International program expenses (continued)

International program expenses by context

	2022	2021
	\$	\$
International Development	37,783,109	25,495,697
International Humanitarian Response	17,003,866	15,103,651
	54,786,975	40,599,348

15. General Fund

	Operations	Invested in capital assets	2022 Total
	\$	\$	\$
Balance, beginning of year	1,986,940	645,579	2,632,519
Excess of revenue over expenses	359,757	(160,281)	199,476
Inter-fund transfers (Note 9)	165,321	—	165,321
Purchases of capital assets	(66,421)	66,421	—
	2,445,597	551,719	2,997,316

	Operations	Invested in capital assets	2021 Total
	\$	\$	\$
Balance, beginning of year	1,247,603	775,529	2,023,132
Excess of revenue over expenses	646,653	(165,404)	481,249
Inter-fund transfers (Note 9)	128,138	—	128,138
Purchases of capital assets	(35,454)	35,454	—
	1,986,940	645,579	2,632,519

16. STCC NPO

Financial summaries of STCC NPO as at, and for the years ended, December 31, 2022 and 2021, are as follows:

Financial position

	2022	2021
	\$	\$
Total assets	1,337,396	1,218,296
Total liabilities	1,046,968	1,128,217
Total net assets	290,428	90,079
	1,337,396	1,218,296

16. STCC NPO (continued)

Results of operations

	2022	2021
	\$	\$
Total revenue	2,341,690	1,186,838
Total expenses	2,141,341	1,149,400
Excess of revenue over expenses	200,349	37,438

Related party balances and transactions

During the year, the Organization made payments on behalf of STCC NPO in the amount of \$2,141,341 (\$1,089,399 in 2021), of which \$331,616 (\$685,969 in 2021) is outstanding from STCC NPO as at December 31, 2022.

17. Donations in-kind

The financial statements include \$1,060,619 (\$926,955 in 2021) with respect to donations in-kind, which is included in contributions revenue and program expenses in the Statement of operations and changes in net assets.

18. Risk management

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its financial obligations as they fall due. The Organization's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation. In addition, the Organization maintains an Internally Restricted Reserve Fund.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments exposed to credit risk include marketable securities and accounts receivable. The Organization's investment policy defines permitted investments, which minimizes its credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk through its marketable securities that include underlying fixed income investments. The Organization's investment policy defines permitted investments, which minimizes its interest rate risk.

18. Risk management (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Organization is exposed to currency risk arising from cash, accounts receivable and accounts payable denominated in foreign currency. Balances denominated in foreign currency consist of the following:

	US dollars	2022		2021
	\$	Euros	US dollars	Euros
	\$	\$	\$	\$
Cash	1,061,495	610,572	780,400	338,707
Accounts receivable	153,946	174,601	141,913	63,781
Accounts payable	873,184	—	348,049	—

There are no changes in risk exposures from the prior year.

19. Related party balances and transactions

Related parties include STCC NPO, SCI and SCA.

STCC NPO

Related party balances and transactions with STCC NPO is disclosed in Note 16.

SCI

During the year, the Organization made payments to SCI of \$45,270,916 (\$32,628,304 in 2021) with respect to international programming, and \$2,598,957 (\$1,871,163 in 2021) with respect to membership fees. As at December 31, 2022, balances with SCI include accounts receivable of \$4,223,115 (\$4,568,799 in 2021).

SCA

During the year, the Organization made payments to SCA of \$664,597 (\$668,373 in 2021) with respect to membership fees. As at December 31, 2022, balances with SCA include accounts payable of \$nil (\$30,597 in 2021).