

# **Canadian Feed The Children**

**Financial Statements  
December 31, 2013**





June 11, 2014

## **Independent Auditor's Report**

**To the Directors of  
Canadian Feed The Children**

We have audited the accompanying financial statements of Canadian Feed The Children, which comprise the statement of financial position as at December 31, 2013 and the statement of income and expenditures, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 qualified audit opinion.

---

*PricewaterhouseCoopers LLP  
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7  
T: +1 416 218 1500, F: +1 416 218 1499*

**Basis for qualified opinion**

In common with many not-for-profit organizations, Canadian Feed The Children derives income from contributions and events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this income was limited to the amounts recorded in the records of Canadian Feed The Children. Therefore, we were not able to determine whether any adjustments might be necessary to income, excess of income over expenditures and cash flows from operations for the years ended December 31, 2013 and December 31, 2012 current assets as at December 31, 2013 and December 31, 2012 and net assets at both the beginning and end of the years end December 31, 2013 and December 31, 2012. Our audit opinion on the financial statements for the year ended December 31, 2012 was modified accordingly because of the possible effects of this limitation in scope.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Feed The Children as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

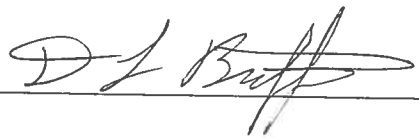
# Canadian Feed The Children

## Statement of Financial Position

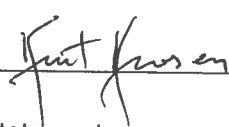
As at December 31, 2013

	2013 \$	2012 \$
<b>Assets</b> (note 6(b))		
<b>Current assets</b>		
Cash	1,923,355	1,135,845
Short-term investments (note 3)	1,462,848	6,686
Accounts receivable	132,832	92,273
Prepaid expenses	62,919	55,237
	<u>3,581,954</u>	<u>1,290,041</u>
<b>Investments</b> (note 3)	621,602	1,300,716
<b>Capital assets</b> (note 4)	20,963	44,754
<b>Intangible assets</b> (note 5)	38,267	31,475
	<u>4,262,786</u>	<u>2,666,986</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	292,574	172,097
Deferred revenue (note 9)	998,242	36,330
	<u>1,290,816</u>	<u>208,427</u>
<b>Net Assets</b>		
<b>Internally restricted</b>		
Building	-	1,341,056
Program Enhancement Reserve Fund	1,479,828	138,845
	<u>1,492,142</u>	<u>978,658</u>
<b>Unrestricted</b>	1,492,142	978,658
	<u>2,971,970</u>	<u>2,458,559</u>
	<u>4,262,786</u>	<u>2,666,986</u>
<b>Commitments</b> (note 6)		

Approved by the Board of Directors



Director



Director

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

# Canadian Feed The Children

## Statement of Income and Expenditures

For the year ended December 31, 2013

---

	2013 \$	2012 \$
<b>Income</b>		
Contributions and events	5,741,211	6,163,631
Grants	1,293,959	7,042
Investment income	65,954	47,386
Change in fair value of investments	(35,769)	7,295
Other income	12,977	10,373
	<hr/> 7,078,332	<hr/> 6,235,727
<b>Expenditures</b> (note 7)		
Programs (note 4)	4,385,803	3,423,216
Fundraising (note 5)	1,612,990	1,703,715
Administration (note 4)	566,128	712,971
	<hr/> 6,564,921	<hr/> 5,839,902
<b>Excess of income over expenditures for the year</b>	<hr/> 513,411	<hr/> 395,825

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

# Canadian Feed The Children

## Statement of Changes in Net Assets

For the year ended December 31, 2013

	2013				
	Internally restricted				
	Unrestricted \$	Building \$	Program Enhancement \$	Reserve Fund \$	Total \$
<b>Fund balances - Beginning of year</b>	978,658	1,341,056	138,845	-	2,458,559
Excess of income over expenditures for the year	513,411	-	-	-	513,411
Interfund transfers (note 8)	73	(1,341,056)	(138,845)	1,479,828	-
<b>Fund balances - End of year</b>	<b>1,492,142</b>	<b>-</b>	<b>-</b>	<b>1,479,828</b>	<b>2,971,970</b>
	2012				
	Unrestricted \$	Building \$	Internally restricted Program Enhancement \$	Externally restricted CIDA \$	Total \$
<b>Fund balances - Beginning of year</b>	565,247	1,303,069	187,724	6,694	2,062,734
Excess of income over expenditures for the year	362,184	39,085	1,250	(6,694)	395,825
Interfund transfers	51,227	(1,098)	(50,129)	-	-
<b>Fund balances - End of year</b>	<b>978,658</b>	<b>1,341,056</b>	<b>138,845</b>	<b>-</b>	<b>2,458,559</b>

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

# Canadian Feed The Children

## Statement of Cash Flows

For the year ended December 31, 2013

	2013 \$	2012 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of income over expenditures for the year	513,411	395,825
Add (deduct): Items not involving cash		
Amortization of capital assets	37,030	33,397
Amortization of intangible assets	27,004	15,736
Change in fair value of investments	(35,769)	-
Donation of stocks	(14,558)	(6,686)
	<hr/> 527,118	<hr/> 438,272
Net change in non-cash working capital balances related to operations		
Accounts receivable	(40,559)	179,473
Prepaid expenses	(7,682)	35,017
Accounts payable and accrued liabilities	120,477	(160,915)
Deferred revenue	961,912	36,330
	<hr/> 1,561,266	<hr/> 528,177
<b>Investing activities</b>		
Net sale (purchase) of investments	(726,721)	160,319
Purchase of capital assets	(13,239)	(33,669)
Purchase of intangible assets	(33,796)	(47,211)
	<hr/> (773,756)	<hr/> 79,439
<b>Change in cash during the year</b>	787,510	607,616
<b>Cash - Beginning of year</b>	<hr/> 1,135,845	<hr/> 528,229
<b>Cash - End of year</b>	<hr/> <hr/> 1,923,355	<hr/> <hr/> 1,135,845

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



# Canadian Feed The Children

Notes to Financial Statements

December 31, 2013

---

## 1 Purpose and nature of the organization

Canadian Feed The Children™ (CFTC or the organization) is an international development and relief agency formed in 1986 and dedicated to:

- alleviating the impact of poverty on children and their families and communities;
- supporting initiatives that enable families and communities to effectively satisfy the basic needs of their children on a sustainable basis;
- raising the level of public awareness on issues related to child poverty; and
- advocating for the basic human rights of children.

The organization's objectives are reached by working with both its own resources and in conjunction with local partners in Canada and foreign countries. CFTC is a not-for-profit corporation incorporated under the Canada Corporations Act and is a registered charity designated as a charitable organization under the Income Tax Act (Canada) and is exempt from income tax under paragraph 149(1)(f).

In January 2014, CFTC was granted continuance under the Canada Not-for-profit Corporations Act.

## 2 Summary of significant accounting policies

### Change in accounting policy

In 2013, CFTC changed its accounting policy for revenue recognition to the deferral method. In previous periods, the restricted fund method had been used. The organization judges that the deferral method is preferable as it presents information in a manner that is more easily understood by most users of the financial statements. The deferral method results in less volatility in revenue and resultant surpluses and deficits by closely synchronizing the recognition of revenue and related expenses. This is also the method favoured by other organizations within CFTC's sector, thereby making the financial statements more comparable overall.

As at December 31, 2012 and for the year then ended, there was no material difference between the two methods of revenue recognition. Therefore, no restatement is required. For fiscal 2013, the adoption of the deferral method resulted in an increase in deferred revenue and a corresponding decrease in revenue of \$786,000.

### Basis of presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) applied within the framework of the accounting policies summarized below.

# Canadian Feed The Children

Notes to Financial Statements

December 31, 2013

---

## **Fund accounting**

- **Building Fund**

The Building Fund was established by the Board of Directors of CFTC in 2004. These funds were set aside and invested to earn income and were intended to be used for the acquisition of a head office building at some point in the future at the discretion of the Board of Directors. In 2013, the Board of Directors decided that acquisition of an office building was unlikely to happen and that the Building Fund would be closed and the funds transferred to the Reserve Fund.

- **Program Enhancement Fund**

The Program Enhancement Fund was established by the Board of Directors of CFTC in 2004. These funds were set aside and invested to earn income and were to be used to support specific ongoing initiatives, approved in advance by the Board of Directors of CFTC, which are consistent with CFTC's objective to create long-term enhancements to its work throughout the world. In 2013, the Board of Directors decided that the Program Enhancement Fund would be closed and the funds would be transferred to the Reserve Fund.

- **Reserve Fund**

In 2013, CFTC's Board of Directors determined that the Building Fund and Program Enhancement Fund should be amalgamated into a single Reserve Fund. The Reserve Fund represents funds available for emergency, program enhancement or other purposes specified by the Board of Directors from time to time. Any use of these funds requires explicit approval by the Board of Directors.

- **Unrestricted Fund**

The Unrestricted Fund accounts for CFTC's program delivery, development and administrative activities. This fund reports unrestricted resources.

## **Revenue recognition**

CFTC follows the deferral method of accounting for contributions. Under this method, restricted contributions are deferred and recognized as revenue when the expenses are incurred.

Restricted grants are recorded as deferred revenue when funds are received. These amounts are recognized as grant revenue when related expenses have been incurred.

Investment income is recorded on the accrual basis.

## **Cash**

Cash represents cash on hand and cash in the bank.

# Canadian Feed The Children

Notes to Financial Statements

December 31, 2013

---

## Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments and investments in quoted debt securities are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instrument at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized on a straight-line basis.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the organization determines whether there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value. Impairments are recognized through the use of an allowance account, with a corresponding charge in the statement of income and expenditures.

## Investments

Investments are managed by a third party investment manager reporting directly to the Finance and Audit Committee established by the Board of Directors. The investments can consist of a mix of publicly traded equities and publicly traded short and long-term fixed income vehicles. Investments are made in accordance with CFTC's investment policy. The principal of the investment policy is to preserve capital and obtain a conservative return on investments. Investments maturing within one year from the statement of financial position date are reflected as short-term investments.

## Capital assets

Capital assets are presented at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	3 years
Motor bicycle	2 years
Computer equipment	3 years
Furniture and equipment	5 years

## Intangible assets

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. CFTC's intangible assets consist of computer software, which is amortized on a straight-line basis over the three years from the date of acquisition. The estimated useful life of intangible assets is reviewed annually.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2013

---

### **Deferred revenue**

Deferred revenue includes funds received for specific uses for which the related expenditures have not been incurred.

### **Allocation of expenses**

CFTC engages in providing international and Canadian program services that include food security, education and capacity building.

Expenses are classified and reported as programs, fundraising and administration based on the level of benefit received by each function.

For employees who perform a combination of program, fundraising and administrative activities, their salaries, benefits and all other payroll related costs are allocated based on the percentage of time dedicated to the activity.

Premises costs are then allocated based on the percentage of staff salaries allocated to each function.

Other shared costs such as information technology, insurance and equipment rental are substantially allocated based on headcount.

CFTC classifies its communications, education and marketing costs the same way based on the extent of time and content applicable to program, fundraising and administrative effort.

Such allocations are reviewed annually, updated and applied on a prospective basis.

Allocations are detailed in note 7.

### **Government assistance**

From time to time, CFTC receives grants from government agencies such as the Department of Foreign Affairs, Trade and Development. Certain conditions are often attached to these grants and may require CFTC to completely segregate these funds or match a proportionate share of these funds with funds from general donations.

### **Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using year-end exchange rates. Revenue and expenses are translated throughout the year at the prevailing exchange rate on the date of the transaction. Exchange gains and losses are recorded in the statement of income and expenditures.

### **Volunteer service**

The work of CFTC is accomplished by a significant contribution of voluntary services. These services are received gratuitously, therefore, no value has been included in these financial statements.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2013

### Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make certain estimates and assumptions that may affect the reported amount of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Actual results could differ from those estimates.

### 3 Investments

Investments consist of investments in government bonds, equity investments and high interest savings accounts. The bonds have various maturity dates and coupon rates that range from 0.75% to 3.75%. There were no impairments in fiscal years 2013 or 2012.

### 4 Capital assets

Capital assets are comprised as follows:

	2013		2012	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Vehicles	65,534	54,310	11,224	33,068
Motor bicycle	5,046	2,523	2,523	-
Computer equipment	53,683	51,349	2,334	9,427
Furniture and equipment	41,606	36,724	4,882	2,259
	165,869	144,906	20,963	44,754

Amortization of \$25,305 (2012 - \$22,294) was included in programs expenditures and amortization of \$11,725 (2012 - \$11,103) was included in administration expenditures.

### 5 Intangible assets

	2013		2012	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	81,007	42,740	38,267	31,475

Amortization of \$27,004 (2012 - \$15,736) was included in fundraising expenditures.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2013

### 6 Commitments

- a) CFTC is committed to payments for property and equipment leases and service contracts with varying terms. Aggregate annual payments are as follows:

	\$
2014	136,397
2015	68,147
2016	12,698
2017	7,312
2018	790
	<u>225,344</u>

- b) CFTC has access to a revolving line of credit with CIBC in the amount of \$300,000. It bears interest at prime plus 1.5%. As at December 31, 2013, \$nil (2012 - \$nil) of this line was utilized. All assets of CFTC are pledged as security, except for assets held within the Reserve Fund.

### 7 Allocation of expenses

As described in note 2, marketing, education, communication, development, donor relations and administration costs have been allocated as follows:

				2013
	Programs \$	Fundraising \$	Administration \$	Total \$
Marketing, education, communication and development	112,614	1,011,519	16,148	1,140,281
Donor relations and administration	433,968	601,471	549,980	1,585,419
	<u>546,582</u>	<u>1,612,990</u>	<u>566,128</u>	<u>2,725,700</u>
				2012
	Programs \$	Fundraising \$	Administration \$	Total \$
Marketing, education, communication and development	83,156	1,134,523	18,097	1,235,776
Donor relations and administration	391,543	569,192	694,874	1,655,609
	<u>474,699</u>	<u>1,703,715</u>	<u>712,971</u>	<u>2,891,385</u>

### 8 Interfund transfers

During 2013, the Board of Directors approved the transfer of funds from the Building and Program Enhancement Funds to the Reserve Fund.

# Canadian Feed The Children

Notes to Financial Statements

December 31, 2013

---

## 9 Deferred revenue

	2013	2012
	\$	\$
Balance - Beginning of year	36,330	-
Additional contributions received	2,421,021	45,000
Amounts recognized as revenue	(1,459,109)	(8,670)
	<hr/>	<hr/>
Balance - End of year	998,242	36,330
	<hr/>	<hr/>

## 10 Financial risk management

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments held by CFTC. The organization manages this risk by investing in highly rated and widely traded bonds and through diversification of its investment portfolio. This risk has not changed significantly from prior years.

### Credit risk

CFTC bears credit risk associated with its holdings of cash and investments in its portfolio. To mitigate this risk, CFTC places the majority of its cash and investments in securities of federal or provincial governments, chartered banks, major trust companies or high quality corporate bonds.

### Foreign exchange risk

CFTC delivers its foreign programming through local non-governmental organizations. Costs associated with this are denominated in the relevant local currency. As such, the organization's results may vary on a year to year basis depending on the foreign exchange rates prevailing at the time of conversion.

## 11 Related party transactions

Related parties of the organization are considered to be board members, senior management team, and the staff of CFTC who have a direct impact on the daily operations of the organization. During the year, \$25,106 (2012 - \$19,079) of donations were received from related parties. In addition, \$71,250 (2012 - \$20,000) of additional donations were received from organizations that employ individuals related to the CFTC.

## 12 Registered pension plan

The organization maintains a defined contribution pension plan for its employees. During the year, the organization made required matching contributions under this plan of \$50,306 (2012 - \$39,080).

