

# **Canadian Feed The Children**

**Financial Statements  
December 31, 2014**



June 10, 2015

## **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, 2014 and the statements 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*

\*PwC\* refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**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, 2014 and December 31, 2013, current assets as at December 31, 2014 and December 31, 2013 and net assets as at January 1 and December 31 for both December 31, 2014 and December 31, 2013 years. Our audit opinion on the financial statements for the year ended December 31, 2013 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, 2014 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**

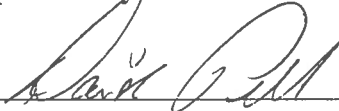
# Canadian Feed The Children

## Statement of Financial Position


As at December 31, 2014

	2014 \$	2013 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	693,915	1,923,355
Short-term investments (note 4)	1,706,455	1,462,848
Amounts receivable (note 3)	237,276	132,832
Prepaid expenses	58,412	62,919
	<u>2,696,058</u>	<u>3,581,954</u>
<b>Investments</b> (note 4)	947,729	621,602
<b>Capital assets</b> (note 5)	26,696	20,963
<b>Intangible assets</b> (note 6)	11,265	38,267
	<u>3,681,748</u>	<u>4,262,786</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	243,092	292,574
Deferred revenue (note 10)	370,017	998,242
	<u>613,109</u>	<u>1,290,816</u>
<b>Net Assets</b>		
<b>Internally Restricted Fund</b>	1,548,074	1,479,828
<b>Unrestricted</b>	1,520,565	1,492,142
	<u>3,068,639</u>	<u>2,971,970</u>
	<u>3,681,748</u>	<u>4,262,786</u>
<b>Commitments</b> (note 7)		

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, 2014**

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	2014	2013
	\$	\$
<b>Income</b>		
Contributions and events	5,798,985	5,741,211
Grants	786,347	1,293,959
Investment income	40,264	65,954
Change in fair value of investments	2,680	(35,769)
Foreign exchange gain	12,164	-
Other income	9,581	12,977
	<hr/> 6,650,021	<hr/> 7,078,332
<b>Expenditures</b> (note 8)		
Programs (note 5)	4,367,564	4,385,803
Fundraising (note 6)	1,610,093	1,612,990
Administration (note 5)	575,695	566,128
	<hr/> 6,553,352	<hr/> 6,564,921
<b>Excess of income over expenditures for the year</b>	<hr/> <b>96,669</b>	<hr/> <b>513,411</b>

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, 2014

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	2014		2013
	Unrestricted \$	Internally Restricted Fund \$	Total \$
<b>Fund balances - Beginning of year</b>	1,492,142	1,479,828	2,971,970
Excess of income over expenditures for the year	96,669	-	96,669
Interfund transfers (note 9)	(68,246)	68,246	-
<b>Fund balances - End of year</b>	<b>1,520,565</b>	<b>1,548,074</b>	<b>3,068,639</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, 2014

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	2014	2013
	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of income over expenditures for the year	96,669	513,411
Add (deduct): Items not involving cash		
Amortization of capital assets	24,614	37,030
Amortization of intangible assets	27,002	27,004
Change in fair value of investments	(2,680)	(35,769)
Foreign exchange gain	(12,164)	-
Donated marketable securities held at year end	(5,872)	(14,558)
	<hr/>	<hr/>
	127,569	527,118
Net change in non-cash working capital balances related to operations		
Amounts receivable	(104,444)	(40,559)
Prepaid expenses	4,507	(7,682)
Accounts payable and accrued liabilities	(49,482)	120,477
Deferred revenue	(628,225)	961,912
	<hr/>	<hr/>
	(650,075)	1,561,266
<b>Investing activities</b>		
Net purchase of investments	(549,018)	(726,721)
Purchase of capital assets	(30,347)	(13,239)
Purchase of intangible assets	-	(33,796)
	<hr/>	<hr/>
	(579,365)	(773,756)
<b>Change in cash during the year</b>	(1,229,440)	787,510
<b>Cash - Beginning of year</b>	<hr/>	<hr/>
	1,923,355	1,135,845
<b>Cash - End of year</b>	<hr/>	<hr/>
	693,915	1,923,355

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

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2014

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### 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 taxes 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

#### 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.

#### Fund accounting

These financial statements include the following funds:

- Internally Restricted Fund

The Internally Restricted 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.



# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2014

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### Revenue recognition

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

Investment income is recorded on an accrual basis.

### Cash

Cash represents cash on hand and cash in the bank.

### 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 short and long-term fixed income investments, guaranteed investment certificates and publicly traded equities. 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. Fixed income investments maturing within one year from the statement of financial position date are reflected as short-term investments.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2014

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### 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.

### Impairment of long-lived assets

An impairment charge is recognized for long-lived assets whenever an event or change in circumstance causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and their carrying values.

### 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.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2014

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

### **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.

### **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 amounts 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 Amounts receivable**

Amounts receivable include amounts provided to three rural banks in Ghana, which subsequently loaned these amounts to registered Farmer-Based Organizations (beneficiary groups) as part of the organization's programming in Ghana. These loans bear interest from nil% to 4% per annum and are repayable on or before May 28, 2015. These loans may be renewed for up to one year on the same terms. At year-end, it was as yet unknown whether the loans would be renewed and approximately \$80,421 (2013 - \$nil) was outstanding in relation to these loans.

## **4 Investments**

Investments consist of investments in guaranteed investment certificates, government bonds, equity investments and high interest savings accounts. The guaranteed investment certificates and bonds have various maturity dates and coupon rates that range from 1.3% to 3.75%. There were no impairments in fiscal years 2014 or 2013.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2014

### 5 Capital assets

Capital assets comprise the following:

			2014	2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Vehicles	65,534	65,534	-	11,224
Motor bicycle	5,046	5,046	-	2,523
Computer equipment	65,410	56,425	8,985	2,334
Furniture and equipment	60,226	42,515	17,711	4,882
	<u>196,216</u>	<u>169,520</u>	<u>26,696</u>	<u>20,963</u>

Amortization of \$17,873 (2013 - \$25,305) was included in programs expenditures and amortization of \$6,741 (2013 - \$11,725) was included in administration expenditures.

### 6 Intangible assets

			2014	2013
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	<u>81,007</u>	<u>69,742</u>	<u>11,265</u>	<u>38,267</u>

Amortization of \$27,002 (2013 - \$27,004) was included in fundraising expenditures.

### 7 Commitments

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

	\$
2015	127,735
2016	156,653
2017	155,172
2018	153,787
2019	158,134
Thereafter	<u>107,706</u>
	<u>859,187</u>

- b) CFTC has access to a revolving line of credit with the Canadian Imperial Bank of Commerce in the amount of \$300,000, which bears interest at the prime rate plus 1.5%. As at December 31, 2014, \$nil (2013 - \$nil)

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2014

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of this line was utilized. All assets of CFTC are pledged as security, except for assets held within the Internally Restricted Fund.

### 8 Allocation of expenses

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

				2014
	Programs	Fundraising	Administration	Total
	\$	\$	\$	\$
Marketing, education, communication and development	95,999	953,263	18,374	1,067,636
Donor relations and administration	464,491	656,830	557,321	1,678,642
	<u>560,490</u>	<u>1,610,093</u>	<u>575,695</u>	<u>2,746,278</u>
				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>

### 9 Interfund transfers

The Board of Directors approved the transfer of funds between the unrestricted and internally restricted funds.

### 10 Deferred revenue

	2014	2013
	\$	\$
Balance - Beginning of year	998,242	36,330
Additional contributions received	342,352	2,421,021
Amounts recognized as revenue	<u>(970,577)</u>	<u>(1,459,109)</u>
Balance - End of year	<u>370,017</u>	<u>998,242</u>

# Canadian Feed The Children

Notes to Financial Statements

December 31, 2014

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## 11 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. During 2014, the organization further reduced its exposure to interest rate risk by adding equity investments to its investment portfolio.

### Market risk

The organization's equity investments are subject to market risk, which includes price risk arising from market volatility and the risk of loss of capital associated with these investments.

### 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. Beginning in 2014, some financial instruments held as investments are denominated in foreign currencies. As a result, the organization's investment balance may vary due to currency changes.

## 12 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, \$40,989 (2013 - \$25,106) of donations was received from related parties. In addition, \$50,500 (2013 - \$71,250) of additional donations was received from organizations that employ individuals related to CFTC. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are in the normal course of operations.

## 13 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 \$57,398 (2013 - \$50,306).

## 14 Subsequent event

Subsequent to year-end, the organization entered into a five-year lease for office space for its Toronto headquarters. Commitments under this lease are included in the amounts in note 7.

# **Canadian Feed The Children**

Notes to Financial Statements

**December 31, 2014**

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## **15 Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

