

# **Canadian Feed The Children**

Financial Statements  
**December 31, 2017**



June 20, 2018

## **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, 2017 and the statements of income and expenditures, changes in net assets and cash flows for the year 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 audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Feed the Children as at December 31, 2017 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.

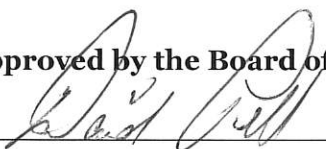
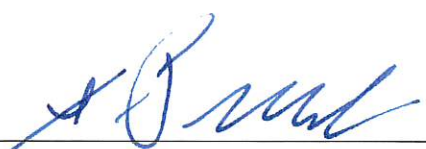
*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

# Canadian Feed The Children

## Statement of Financial Position

As at December 31, 2017

	2017 \$	2016 \$	
<b>Assets</b>			
<b>Current assets</b>			
Cash (note 3)	1,837,079	3,167,422	
Short-term investments (note 4)	1,709,595	1,234,681	
Amounts receivable and advances	373,700	446,047	
Prepaid expenses	105,561	68,613	
	<u>4,025,935</u>	<u>4,916,763</u>	
<b>Investments</b> (note 4)	823,521	848,876	
<b>Capital and intangible assets</b> (notes 5 and 6)	<u>162,224</u>	<u>213,963</u>	
	<u>5,011,680</u>	<u>5,979,602</u>	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	530,327	396,357	
Deferred contributions (note 11)	931,570	2,031,541	
	<u>1,461,897</u>	<u>2,427,898</u>	
<b>Deferred tenant inducements</b> (note 12)	115,194	157,998	
<b>Deferred rent</b>	<u>29,637</u>	<u>31,546</u>	
	<u>1,606,728</u>	<u>2,617,442</u>	
<b>Net Assets</b>			
<b>Internally Restricted Fund</b>	1,817,225	1,750,979	
<b>Unrestricted Fund</b>	<u>1,587,727</u>	<u>1,611,181</u>	
	<u>3,404,952</u>	<u>3,362,160</u>	
	<u>5,011,680</u>	<u>5,979,602</u>	
<b>Commitments</b> (note 8)			
<b>Approved by the Board of Directors</b>			
	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, 2017

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	2017 \$	2016 \$
<b>Income</b>		
Contributions (notes 7 and 14)	6,965,020	6,382,609
Grants	4,203,393	5,607,520
Investment income	26,395	30,228
Change in fair value of investments	75,122	22,001
Foreign exchange loss	(32,711)	(34,772)
Other income	13,778	8,117
	<hr/> 11,250,997	<hr/> 12,015,703
<b>Expenditures</b> (note 9)		
Programs (note 5)	8,183,968	9,402,058
Fundraising (notes 5)	2,118,981	1,725,917
Administration (note 5)	905,256	648,022
	<hr/> 11,208,205	<hr/> 11,775,997
<b>Excess of income over expenditures for the year</b>	<hr/> 42,792	<hr/> 239,706

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, 2017

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			<u>2017</u>	<u>2016</u>
	<b>Unrestricted Fund \$</b>	<b>Internally Restricted Fund \$</b>	<b>Total \$</b>	<b>Total \$</b>
<b>Fund balances - Beginning of year</b>	1,611,181	1,750,979	3,362,160	3,122,454
Excess of income over expenditures for the year	42,792	-	42,792	239,706
Interfund transfers (note 10)	(66,246)	66,246	-	-
<b>Fund balances - End of year</b>	<u>1,587,727</u>	<u>1,817,225</u>	<u>3,404,952</u>	<u>3,362,160</u>

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, 2017

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	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of income over expenditures for the year	42,792	239,706
Add (deduct): Items not involving cash		
Amortization of capital assets	68,872	78,328
Amortization of intangible assets	1,578	-
Change in tenant inducement	(42,804)	(44,590)
Change in fair value of investments	(75,122)	(22,001)
Foreign exchange loss	32,711	34,772
Donated marketable securities	(375,176)	9,932
	<u>(347,149)</u>	<u>296,147</u>
Net change in non-cash working capital balances related to operations		
Amounts receivable and advances	72,347	221,924
Prepaid expenses	(36,948)	(10,950)
Accounts payable and accrued liabilities	133,970	28,108
Deferred revenue	(1,099,971)	976,281
	<u>(1,277,751)</u>	<u>1,511,510</u>
<b>Investing activities</b>		
Net purchase of investments	(31,972)	(177,616)
Purchase of capital assets and intangible assets	(18,711)	(37,410)
Deferred rent	(1,909)	3,226
	<u>(52,592)</u>	<u>(211,800)</u>
<b>Change in cash during the year</b>	(1,330,343)	1,299,710
<b>Cash - Beginning of year</b>	<u>3,167,422</u>	<u>1,867,712</u>
<b>Cash - End of year</b>	<u>1,837,079</u>	<u>3,167,422</u>

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

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2017

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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 in 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.

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, 2017

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### Revenue recognition

CFTC follows the deferral method of accounting for contributions and grants. Under this method, restricted contributions and grants are deferred and recognized as revenue when the expenses are incurred. Unrestricted contributions and grants are recognized as received or receivable if the amount to be received is reasonably estimable and collection is reasonably assured.

Investment income is recorded on an accrual basis.

### Government assistance

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

### Cash

Cash represents cash on hand and cash in the bank.

### Financial instruments

Financial instruments are recorded at fair value on initial recognition. Investments 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 principle of the investment policy is to

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2017

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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.

### 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
Leasehold improvements	over the term of the lease

### 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 three years from the date of acquisition. The estimated useful lives of intangible assets are 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 contributions

Deferred contributions include funds received for specific uses for which the related expenditures have not been incurred.

### Deferred tenant inducements

In fiscal 2015, CFTC entered into a five-year lease for its head office. Under that agreement, the landlord funded renovations to the space as tenant inducements. These tenant inducements are deferred and amortized on a straight-line basis over the term of the related lease.

### Deferred rent

Under the organization's head office lease, there are increases in base rent each year. The base rent cost over the full lease term, including free rent periods, has been determined and is amortized on a straight-line basis over the term of the related lease.

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## Notes to Financial Statements

December 31, 2017

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### **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 expenses 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 efforts.

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

### **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. The organization does not record the value of volunteer services unless the fair value can be reasonably estimated. These services are received gratuitously; therefore, no value has been included in these financial statements as the fair value is not determinable.

### **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.

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2017

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### 3 Cash

As at December 31, 2017, the cash balance included \$825,014 (2016 - \$2,054,819) received as government grants for the Resilient and Sustainable Livelihoods Transformation (RESULT) and Market-led Improved Livelihoods in Eastern Amhara Region (MILEAR) programs; these grants are restricted in use. The restrictions do not prevent use of this cash for current purposes, but specify that it can be used for funding of the RESULT and MILEAR programs only.

### 4 Short-term investments and investments

Investments consist of guaranteed investment certificates, government and corporate bonds, equity investments and high interest savings accounts. The guaranteed investment certificates and bonds have various maturity dates, interest and coupon rates that range from 1.41% to 3.75%. There were no impairments in fiscal years 2017 or 2016. The organization chose to value all investments at fair value in both 2017 and 2016.

### 5 Capital assets

Capital assets consist of the following:

			2017	2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Vehicle	31,865	31,865	-	-
Motor bicycle	5,046	5,046	-	-
Computer equipment	79,132	65,953	13,179	15,812
Furniture and equipment	77,957	47,227	30,730	46,321
Leasehold improvements	224,294	113,873	110,421	151,830
	418,294	263,964	154,330	213,963

Amortization of \$19,751 (2016 - \$24,899) was included in programs expenditures, \$35,456 (2016 - \$36,698) was included in administration expenditures and \$13,665 (2016 - \$16,731) was included in fundraising expenditures.

### 6 Intangible assets

			2017	2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	90,479	82,585	7,894	-

Amortization of \$1,578 (2016 - \$nil) was included in fundraising expenditures.

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## Notes to Financial Statements

December 31, 2017

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### 7 Contributions

Contributions are comprised of the following:

	2017 \$	2016 \$
Child Sponsorship and Monthly Giving program	3,244,866	3,076,290
Major gifts - individuals, corporate, bequest and foundation	2,157,841	1,767,365
Other fundraising	1,562,313	1,538,954
	<u>6,965,020</u>	<u>6,382,609</u>

### 8 Commitments

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

	\$
2018	201,663
2019	190,040
2020	139,611
2021	20,138
2022	7,845
	<u>559,297</u>

CFTC received funding from Global Affairs Canada to support projects in various countries. The funding is dependent on agreements, which require, in some cases, that CFTC contribute to the project(s) a set percentage or amount in the form of cash and/or in-kind. As at December 31, 2017, there are future contributions for CFTC to make with respect to the completion of the projects based on the current funding agreements, which are estimated to be \$316,451. This amount is expected to be paid in 2018.

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, 2017, \$nil (2016 - \$nil) of this line was utilized. All assets of CFTC are pledged as security, except for assets held within the Internally Restricted Fund.

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## Notes to Financial Statements

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### 9 Allocation of expenses

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

				2017
	Programs	Fundraising	Administration	Total
	\$	\$	\$	\$
Marketing, education, communication and development	86,290	1,412,456	2,057	1,500,803
Donor relations and administration	1,009,462	706,525	903,199	2,619,186
	<u>1,095,752</u>	<u>2,118,981</u>	<u>905,256</u>	<u>4,119,989</u>
				2016
	Programs	Fundraising	Administration	Total
	\$	\$	\$	\$
Marketing, education, communication and development	86,007	1,131,267	4,736	1,222,010
Donor relations and administration	990,702	594,650	643,286	2,228,638
	<u>1,076,709</u>	<u>1,725,917</u>	<u>648,022</u>	<u>3,450,648</u>

### 10 Interfund transfers

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

### 11 Deferred contributions

	2017	2016
	\$	\$
Balance - Beginning of year	2,031,541	1,055,260
Additional contributions received	3,549,924	7,184,041
Amounts recognized as revenue	<u>(4,649,895)</u>	<u>(6,207,760)</u>
Balance - End of year	<u>931,570</u>	<u>2,031,541</u>

# Canadian Feed The Children

## Notes to Financial Statements

December 31, 2017

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### 12 Deferred tenant inducements

	2017 \$	2016 \$
Deferred tenant inducements - net of accumulated amortization of \$94,959 (2016 - \$52,155)	115,194	157,998

### 13 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 2016, 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 those investments.

#### Credit risk

CFTC bears credit risk associated with its holdings of cash and investments in its portfolio. To mitigate this risk, the organization 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 foreign programming 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 2016, 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.

### 14 Related party transactions

Related parties of the organization are considered to be board members, the senior management team and the staff of CFTC who have a direct impact on the daily operations of the organization. During the year, \$38,387 (2016 - \$44,264) of donations was received from related parties. In addition, \$23,492 (2016 - \$31,300) 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.

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Notes to Financial Statements

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## 15 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 \$83,850 (2016 - \$70,280).