

Canadian Feed The Children

Financial Statements
December 31, 2018



Independent auditor's report

To the Directors of Canadian Feed The Children

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canadian Feed The Children (CFTC or the Organization) as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Organization's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of income and expenditures for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

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



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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Concord, Ontario
June 21, 2019

Canadian Feed The Children

Statement of Financial Position

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash (note 3)	1,201,744	1,837,079
Short-term investments (note 4)	1,205,563	1,709,595
Amounts receivable and advances	379,102	373,700
Prepaid expenses	73,497	105,561
	<u>2,859,906</u>	<u>4,025,935</u>
Investments (note 4)	919,239	823,521
Capital and intangible assets (notes 5 and 6)	<u>147,187</u>	<u>162,224</u>
	<u>3,926,332</u>	<u>5,011,680</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	571,455	530,327
Deferred contributions (note 11)	<u>427,006</u>	<u>931,570</u>
	998,461	1,461,897
Deferred tenant inducements (note 12)	72,389	115,194
Deferred rent	<u>22,590</u>	<u>29,637</u>
	<u>1,093,440</u>	<u>1,606,728</u>
Net Assets		
Internally Restricted Fund	1,844,297	1,817,225
Unrestricted Fund	<u>988,595</u>	<u>1,587,727</u>
	<u>2,832,892</u>	<u>3,404,952</u>
	<u>3,926,332</u>	<u>5,011,680</u>
Commitments (note 8)		

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, 2018

	2018 \$	2017 \$
Income		
Contributions (notes 7 and 14)	6,744,454	6,965,020
Grants	1,508,787	4,203,393
Investment income	51,921	26,395
Change in fair value of investments	(9,289)	75,122
Foreign exchange gain (loss)	9,253	(32,711)
Other income	10,890	13,778
	<hr/> 8,316,016	<hr/> 11,250,997
Expenditures (note 9)		
Programs (note 5)	5,970,556	8,183,968
Fundraising (notes 5)	1,961,874	2,118,981
Administration (note 5)	955,646	905,256
	<hr/> 8,888,076	<hr/> 11,208,205
(Deficiency) excess of income over expenditures for the year	<hr/> (572,060)	<hr/> 42,792

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, 2018

			2018	2017
	Unrestricted Fund \$	Internally Restricted Fund \$	Total \$	Total \$
Fund balances – Beginning of year	1,587,727	1,817,225	3,404,952	3,362,160
(Deficiency) excess of income over expenditures for the year	(572,060)	-	(572,060)	42,792
Interfund transfers (note 10)	(27,072)	27,072	-	-
Fund balances – End of year	988,595	1,844,297	2,832,892	3,404,952

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, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
(Deficiency) excess of income over expenditures for the year	(572,060)	42,792
Add (deduct): Items not involving cash		
Amortization of capital assets	69,995	68,872
Amortization of intangible assets	27,870	1,578
Change in tenant inducement	(42,805)	(42,804)
Change in fair value of investments	9,289	(75,122)
Investment income reinvested	(16,552)	-
Foreign exchange loss (gain)	(9,253)	32,711
Donated marketable securities	(169,331)	(375,176)
	<hr/>	<hr/>
	(702,847)	(347,149)
Net change in non-cash working capital balances related to operations		
Amounts receivable and advances	(5,402)	72,347
Prepaid expenses	32,064	(36,948)
Accounts payable and accrued liabilities	41,128	133,970
Deferred revenue	(504,564)	(1,099,971)
	<hr/>	<hr/>
	(1,139,621)	(1,277,751)
Investing activities		
Purchase of investments	(492,654)	(682,019)
Proceeds on disposal of investments	1,086,815	650,047
Purchase of capital assets and intangible assets	(82,828)	(18,711)
Deferred rent	(7,047)	(1,909)
	<hr/>	<hr/>
	504,286	(52,592)
Change in cash during the year	(635,335)	(1,330,343)
Cash – Beginning of year	1,837,079	3,167,422
	<hr/>	<hr/>
Cash – End of year	1,201,744	1,837,079
	<hr/>	<hr/>

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

Canadian Feed The Children

Notes to Financial Statements

December 31, 2018

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 reflects the general fundraising and investing for CFTC's program delivery, development and administrative activities. This fund reports on unrestricted resources available for immediate use.

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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. The contract with Global Affairs Canada was completed in fiscal 2018.

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

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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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Allocation of expenses

CFTC works with local partners in Canada and internationally to provide food security, livelihoods, education, nutrition and health, and capacity building programs. The cost of each program includes personnel and other expenses that are directly related to providing the programs. Operating costs from functions such as administration, human resources, communications and marketing are allocated to programs, fundraising and administration based on specific activities and the level of benefit received by each function as follows:

- program related activities include the full allocation of direct program activities costs by country offices, partners and direct program staffing;
- donor, solicitation and fundraising related activities include the full allocation of direct costs for solicitation of funding and fundraising staff;
- communication, marketing and related costs are allocated based on the proportion of content applicable to the program, fundraising and administration activities; and

Other support costs are allocated based on staffing headcount while support staff is allocated based on the level of effort attributable to each job function.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using year-end exchange rates. Income and expenditure 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.

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3 Cash

As at December 31, 2018, the cash balance included \$nil (2017 – \$825,014) 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 2018 or 2017. The Organization chose to value all investments at fair value in both 2018 and 2017.

	2018 \$	2017 \$
Short-term investments – net		
Guaranteed investment certificates, government and corporate bonds (i)	187,656	217,445
Mutual funds	415,038	425,377
Equity investments	296,485	332,741
High interest savings accounts	306,384	734,032
	<u>1,205,563</u>	<u>1,709,595</u>
Long-term investments – net		
Guaranteed investment certificates, government and corporate bonds (ii)	919,239	823,521
	<u>2,124,802</u>	<u>2,533,116</u>

- i) Short-term guaranteed investments mature between May 2, 2019 and December 2, 2019 (2017 – February 18, 2018 and June 6, 2018).
- ii) Long-term guaranteed investments mature between February 13, 2020 and September 8, 2023 (2017 – May 2, 2019 and December 2, 2022).

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5 Capital assets

Capital assets consist of the following:

			2018	2017
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Vehicle	31,865	31,865	-	-
Motor bicycle	5,046	5,046	-	-
Computer equipment	87,821	78,948	8,873	13,179
Furniture and equipment	77,957	62,819	15,138	30,730
Leasehold improvements	224,294	155,280	69,014	110,421
	426,983	333,958	93,025	154,330

Amortization of \$22,749 (2017 – \$19,751) was included in programs expenditures, \$34,202 (2017 – \$35,456) was included in administration expenditures and \$13,044 (2017 – \$13,665) was included in fundraising expenditures.

6 Intangible assets

			2018	2017
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Computer software	164,618	110,456	54,162	7,894

Amortization of \$27,870 (2017 – \$1,578) was included in fundraising expenditures.

7 Contributions

Contributions are comprised of the following:

	2018 \$	2017 \$
Child Sponsorship and Monthly Giving program	3,077,549	3,244,866
Major gifts – individuals, corporate, bequest and foundation	1,847,654	2,157,841
Other fundraising	1,819,251	1,562,313
	6,744,454	6,965,020

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8 Commitments

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

	\$
2019	210,211
2020	146,100
2021	20,138
2022	7,845
	<hr/>
	384,294
	<hr/>

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, 2018, \$nil (2017 – \$nil) of this line was utilized. All assets of CFTC are pledged as security, except for assets held within the Internally Restricted Fund.

9 Allocation of expenses

As described in note 2, marketing, education, communication, marketing and other support costs have been allocated as follows:

				2018
	Programs	Fundraising	Administration	Total
	\$	\$	\$	\$
Program related activities	5,382,704	-	-	5,382,704
Donor relations, solicitation and fundraising activities	-	1,461,705	-	1,461,705
Communications and marketing	120,863	327,413	55,622	503,898
Other support costs	466,989	172,756	900,024	1,539,769
	<hr/>	<hr/>	<hr/>	<hr/>
	5,970,556	1,961,874	955,646	8,888,076
	<hr/>	<hr/>	<hr/>	<hr/>
				2017
	Programs	Fundraising	Administration	Total
	\$	\$	\$	\$
Program related activities	7,791,575	-	-	7,791,575
Donor relations, solicitation and fundraising activities	-	1,751,461	-	1,751,461
Communications and marketing	177,518	287,699	29,255	494,472
Other support costs	214,875	79,821	876,001	1,170,697
	<hr/>	<hr/>	<hr/>	<hr/>
	8,183,968	2,118,981	905,256	11,208,205
	<hr/>	<hr/>	<hr/>	<hr/>

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Notes to Financial Statements

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10 Interfund transfers

The Board of Directors approved the transfer of funds between the Unrestricted and Internally Restricted Funds.

11 Deferred contributions

	2018 \$	2017 \$
Balance – Beginning of year	931,570	2,031,541
Additional contributions received	1,707,190	3,549,924
Amounts recognized as revenue	(2,211,754)	(4,649,895)
	<hr/>	<hr/>
Balance – End of year	427,006	931,570

12 Deferred tenant inducements

	2018 \$	2017 \$
Deferred tenant inducements – net of accumulated amortization of \$137,765 (2017 – \$94,959)	<hr/>	<hr/>
	72,389	115,194

13 Financial risk management

Liquidity risk

Liquidity risk is the risk the Organization will not be able to meet its financial obligations when they come due. Sufficient liquidity is maintained by regular monitoring of cash flow requirements. CFTC believes it has low liquidity risk given the composition of its accounts payable and accrued liabilities and the fact that CFTC holds a large amount of cash and investments.

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. The Organization further reduced its exposure to interest rate risk by adding equity investments to its investment portfolio.

Market risk

Market risk arises as a result of fluctuations in the marketplace, which affect trading values of equity securities and bonds. CFTC'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. CFTC mitigates this risk through its investment policies and by monitoring its asset mix of the portfolio against the set targets.

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Credit risk

Credit risk is the risk one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CFTC is exposed to credit risk associated with its holdings of cash and investments in its portfolio with various financial institutions and accounts receivable. 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. CFTC's credit risk is considered to be low.

Foreign exchange risk

CFTC delivers its foreign programming through local non-governmental organizations and is exposed to exchange fluctuations. Foreign currency risk for CFTC arises from gains or losses due to fluctuations in foreign currency exchange rates on foreign investments and programming operations. 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. CFTC implicitly manages its foreign currency risk through its operations.

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, \$43,334 (2017 – \$38,387) of donations was received from related parties. In addition, \$12,680 (2017 – \$23,492) 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.

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 \$93,825 (2017 – \$83,850).

16 Comparative figures

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