

Financial statements of

War Child Canada

December 31, 2013

War Child Canada

December 31, 2013

Table of contents

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations and changes in net assets	4
Statement of cash flows	5
Notes to the financial statements	6-11
Schedule of international programmes - Schedule 1	12
Schedule programme support and development - Schedule 2	13

Independent Auditor's Report

To the Board of Directors of
War Child Canada

We have audited the accompanying financial statements of War Child Canada, which comprise the statement of financial position as at December 31, 2013, and the statements of operations and changes in net assets, and of cash flows for the year then ended, and 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.

Basis for Qualified Opinion

In common with many charitable organizations, War Child Canada derives a portion of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of War Child Canada and we were not able to determine whether any adjustments might be necessary to donations revenue, deficiency of revenue over expenses and cash flows from operations for the years ended December 31, 2013 and 2012, current assets as at December 31, 2013 and 2012, and net assets as at January 1, 2013 and 2012, and December 31, 2013 and 2012.

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 War Child Canada 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.

Other Matter

The statement of operations as at December 31, 2012 and the statements of operations, changes in net assets and cash flows were audited by another auditor who expressed a qualified opinion dated May 31, 2013 on those financial statements.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 18, 2014


War Child Canada

Statement of financial position as at December 31, 2013

	2013	2012
	\$	\$
Assets		
Current assets		
Cash	656,041	527,112
Investment (Note 4)	1,036,652	1,316,750
Accounts and donor receivable (Note 5)	585,005	380,916
Prepaid expenses and deposits	37,095	23,970
	2,314,793	2,248,748
Capital assets (Note 6)	39,667	31,864
	2,354,460	2,280,612
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	239,121	68,460
Deferred contributions (Note 8)	236,165	286,192
	475,286	354,652
Net assets	1,879,174	1,925,960
	2,354,460	2,280,612

Approved on behalf of the Board


 _____ Director


 _____ Director

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

War Child Canada

Statement of operations and changes in net assets year ended December 31, 2013

	2013	2012
	\$	\$
Revenue		
Grants	3,371,027	4,274,159
Foundations	276,433	170,891
Donations	627,533	465,555
Special events	286,178	209,032
Corporate	412,651	190,936
Other	33,126	99,444
Donations-in-kind	699,557	1,344,306
	5,706,505	6,754,323
Expenses		
Program		
International programmes - Schedule 1	3,568,137	4,012,255
Programme support - Schedule 2	847,963	781,790
Operations		
General administration	320,274	227,380
Fundraising	307,320	349,160
Donations-in-kind	699,557	1,344,306
	5,743,251	6,714,891
(Deficiency) excess of revenue over expenses before the undernoted	(36,746)	39,432
Less: amortization	(10,040)	(8,667)
(Deficiency) excess of revenue over expenses for the year	(46,786)	30,765
Net assets, beginning of year	1,925,960	1,895,195
Net assets, end of year	1,879,174	1,925,960

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

War Child Canada
Statement of cash flows
year ended December 31, 2013

	2013	2012
	\$	\$
Operating activities		
Cash receipts from operating revenue	4,756,369	4,581,602
Cash paid to suppliers and employees	(4,889,695)	(5,333,735)
	(133,326)	(752,133)
Investing activities		
Decrease (increase) in investments	280,098	(16,750)
Purchase of capital assets	(17,843)	(5,753)
	262,255	(22,503)
Decrease in cash during the year	128,929	(774,636)
Cash position, beginning of year	527,112	1,301,748
Cash position, end of year	656,041	527,112

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

War Child Canada

Notes to the financial statements

December 31, 2013

1. Organization and accounting framework

War Child Canada (the "Organization"), incorporated under letters patent issued on February 2, 1999, is a Canadian registered charity. The Organization was established for the purpose of bringing relief to persons anywhere in the world who are suffering hardship, sickness or distress as a result of war and, in particular, to bring such relief to children who are suffering. The Organization's additional objective is to advance education of the public in the effects of war, and especially the effects of war on children.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Organization's significant accounting policies are as follows:

(a) Revenue recognition

The Organization follows the deferral method of recording revenue.

Receipts from donations and pledges are recorded in the financial statements as revenue when received. Contributions and grants designated for specified programmes and events are recognized as revenue in the year in which the related expenses are incurred. Other income is recognized as revenue when received and receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Financial instruments

Financial statements consist of cash, investment, grants receivable, accounts receivable, and accounts payable and accrued liabilities.

Measurement

Financial instruments are recorded at fair value on initial recognition. The Organization subsequently measures its financial instruments at amortized cost.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in excess (deficiency) of revenue over expenses.

(c) Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate in effect on the date they occur. Monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rate in effect as of the Statement of financial position date. Gains or losses arising from foreign exchange translations are recorded in the Statement of operations.

(d) Capital assets

Capital assets are recorded at cost. Amortization is provided at the following annual rates and bases:

Furniture and equipment	20%	Declining balance
Leasehold improvements	5 years	Straight-line
Computer hardware	30, 45, 55%	Declining balance
Computer software	100%	

One-half the normal rate of amortization is recorded in the year of acquisition.

War Child Canada

Notes to the financial statements

December 31, 2013

2. Significant accounting policies (continued)

(e) Contributed products and services

In its day to day operations, the Organization receives services and products from various businesses and organizations. Such services and products are reported at their fair value, if they would normally be purchased.

(f) Allocations

The Organization classifies its functional activities between its program-related activities, fundraising and general administration activities. The costs of each activity include the direct costs associated with those activities such as personnel and other direct expenses. In addition, the Organization incurs several common or shared operating expenses in connection with these activities such as occupancy costs, administration and other indirect costs. Where shared or indirect costs relate to more than one activity, the Organization allocates these costs among all of the activities based on an assigned percentage. The percentage applied is calculated based on a historical analysis of the level of staff activity and support by function. Management reviews the calculation on a regular basis.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to excess (deficiency) of revenue over expenses as appropriate in the year they become known. Primary components of these financial statements which include estimates are: investments, capital assets with respect to useful life and amortization, accrued liabilities and deferred contributions.

3. Financial risks and concentration of risk

Currency risk

Currency risk is the exposure of the Organization's excess of revenue over expenses for the year that arises from fluctuations in exchange rates. The Organization is exposed to currency risk through its cash, grants receivable and deferred contributions.

A significant portion of the Organization's contributions and project expenses are denominated in foreign currencies. At year end, the statement of financial position included the following amounts denominated in foreign currencies.

	2013	2012
	\$	\$
Cash	267,276	128,113
Grants receivable	211,640	124,573
Deferred contributions	236,165	286,192

Credit risk

Credit risk arises from the potential that a customer may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk through its grants and accounts receivable. Grants receivable are all from government agencies. Accounts receivable are from organizations and individuals known to the Organization with a proven history of payment.

It is management's opinion that the Organization is not exposed to significant interest rate, liquidity, market, currency or credit risks arising from its financial instruments.

War Child Canada

Notes to the financial statements

December 31, 2013

4. Investment

	2013	2012
	\$	\$
Term deposit with Canadian Imperial Bank of Commerce, interest at 1.25% interest per annum, maturing July 26, 2014	1,036,652	1,316,750

5. Accounts and donor receivable

	2013	2012
	\$	\$
Trade receivables	333,822	226,572
Grants receivable	211,640	124,573
Harmonized Sales Tax	35,942	29,771
Other	3,601	-
	585,005	380,916

6. Capital assets

	2013		2012	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	89,983	70,545	19,438	18,164
Leasehold improvements	14,533	4,069	10,464	10,173
Computer hardware	121,979	112,214	9,765	3,527
	226,495	186,828	39,667	31,864

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$3,500 (2012 - \$Nil) with respect to government remittances.

8. Deferred contributions

	2013	2012
	\$	\$
Opening balance	286,192	1,116,181
Amounts received during the year	236,165	286,192
Revenue recognized during the year	(286,192)	(1,116,181)
Ending balance	236,165	286,192

War Child Canada

Notes to the financial statements

December 31, 2013

9. Guarantees

In the normal course of business, the Organization enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to disclosures are as follows:

- (a) The Organization has provided indemnities under a lease agreement for the use of an operating facility. Under the terms of this agreement, the Organization agrees to indemnify the counter parties for various items including, but not limited to, all liabilities, loss, suits, and damages arising during, on or after, the term of the agreement. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) The Organization indemnifies all directors and volunteers for various items, including but not limited to, all costs to settle suits or actions due to services provided to the Organization, subject to certain restrictions. The Organization has purchased liability insurance to mitigate the cost of any potential future suits or actions. The amount of any potential future payment cannot be reasonably estimated.

10. Commitments

The Organization has entered into operating lease agreements with respect to the rental of the premises, as well as equipment. Minimum annual amounts due under these leases are as follows:

Years ending December 31:

	\$
2014	159,729
2015	159,729
2016	46,798

11. Allocation of expenses

The Organization has allocated its common expenses as follows:

	2013			
	Fundraising	Program support	General and administration	Total
	\$	\$	\$	\$
Rent and utilities	19,227	62,490	19,227	100,944
Administration	41,793	135,827	41,793	219,413
	61,020	198,317	61,020	320,357
	2012			
	Fundraising	Program support	General and administration	Total
	\$	\$	\$	\$
Rent and utilities	24,489	38,787	24,184	87,460
Administration	57,936	97,760	51,219	206,915
	82,425	136,547	75,403	294,375

War Child Canada

Notes to the financial statements

December 31, 2013

12. Comparative amounts

In prior years, the Organization presented amounts in the financial statements in US dollars for additional information. Management has discontinued the practice commencing in 2013.

In addition, the 2012 amounts noted below were re-classified to conform to the 2013 financial statements presentation:

	December 31, 2012	
	As amended	As previously stated
	\$	\$
Statement of financial position		
Grants receivable	-	124,573
Accounts receivable	-	256,343
Accounts and donor receivable	380,916	-
Statement of operations		
Revenue		
Partnership projects	-	1,344,306
Donations in-kind	1,344,306	-
Cause marketing	-	190,936
Corporate	190,936	-
Interest income	-	18,768
Other revenue	-	80,676
Other	99,444	-
Expenses		
International programmes	4,012,255	4,186,215
Partnership projects	-	1,344,306
Programme support	781,790	585,578
Educational programmes	-	204,116
Resource development	-	248,744
Public engagement	-	145,932
Operations - general administration	227,380	-
Operations - fundraising	349,160	-
Donations in-kind	1,344,306	-
Surplus on programme operations	-	39,432
Excess of revenue over expenses before amortization	39,432	-
Statement of cash flows		
Investment activity		
Decrease in investments	16,750	-
Decrease in cash during the year	(774,636)	(757,886)
	8,012,039	8,012,039

War Child Canada

Notes to the financial statements

December 31, 2013

12. Comparative amounts (continued)

	December 31, 2012	
	As amended	As previously stated
	\$	\$
Schedule of programme support - Schedule 2		
Salaries and benefits	-	471,283
Administration fees	-	97,760
Programme development	441,127	173,360
Public education	204,116	-
Rent and occupancy costs	38,787	38,787
Allocation of common expenses	97,760	-
	781,790	781,190

In addition to the above, the Statement of changes in net assets which was previously presented separately is now presented with the statement of operations. Accordingly, the latter has been renamed Statement of operations and changes in net assets.

War Child Canada

Schedule of international programmes - Schedule 1 year ended December 31, 2013

	2013	2012
	\$	\$
Afghanistan	1,057,883	1,255,122
Congo	254,819	272,974
Ethiopia	5,750	165,574
Haiti	-	254,924
Sierra Leone	225,408	133,230
South Sudan	489,510	31,608
Sudan	1,096,365	1,451,014
Uganda	438,402	447,809
	3,568,137	4,012,255

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

War Child Canada

Schedule of programme support and development - Schedule 2 year ended December 31, 2013

	2013	2012
	\$	\$
Programme development	471,966	441,127
Public education	177,680	204,116
Rent and occupancy costs	62,490	38,787
Allocation of common costs	135,827	97,760
	847,963	781,790