

Financial statements of

War Child Canada

December 31, 2014

War Child Canada

December 31, 2014

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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, 2014, 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, 2014 and 2013, current assets as at December 31, 2014 and 2013, and net assets as at January 1, 2014 and 2013 and December 31, 2014 and 2013. The audit opinion 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 War Child Canada 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.

Deloitte LLP

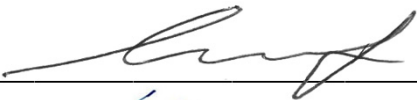
Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
June 16, 2015

War Child Canada

Statement of financial position as at December 31, 2014

	2014	2013
	\$	\$
Assets		
Current assets		
Cash	1,223,126	656,041
Investment (Note 4)	1,044,445	1,036,652
Accounts and other receivable (Note 5)	608,209	585,005
Prepaid expenses and deposits	65,302	37,095
	2,941,082	2,314,793
Intangible asset (Note 6)	114,933	99,843
Capital assets (Note 7)	36,879	39,667
	3,092,894	2,454,303
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 8)	130,020	239,121
Deferred contributions (Note 9)	1,062,535	336,008
	1,192,555	575,129
Guarantees and commitments (Notes 10 and 11)		
Net assets	1,900,339	1,879,174
	3,092,894	2,454,303

Approved on behalf of the Board

 Director

 Director

War Child Canada

Statement of operations and changes in net assets year ended December 31, 2014

	2014	2013
	\$	\$
Revenue		
Grants	4,958,136	3,371,027
Foundations	307,310	276,433
Donations	702,043	627,533
Special events	402,880	286,178
Corporate	292,213	412,651
Other	22,018	33,126
Donations-in-kind	844,683	766,464
	7,529,283	5,773,412
Expenses		
Program		
International programmes - Schedule 1	4,975,325	3,568,137
Programme support - Schedule 2	966,845	847,963
Operations		
General and administration	322,870	320,274
Fundraising	383,925	307,320
Donations-in-kind	844,683	766,464
	7,493,648	5,810,158
Excess (deficiency) of revenue over expenses before the undernoted	35,635	(36,746)
Less: amortization	(14,470)	(10,040)
Excess (deficiency) of revenue over expenses for the year	21,165	(46,786)
Net assets, beginning of year	1,879,174	1,925,960
Net assets, end of year	1,900,339	1,879,174

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, 2014

	2014	2013
	\$	\$
Operating activities		
Cash receipts from operating revenue	7,372,833	4,756,369
Cash paid to suppliers and employees	(6,786,273)	(4,889,695)
	586,560	(133,326)
Investing activities		
(Increase) decrease in investments	(7,793)	280,098
Purchase of capital assets	(11,682)	(17,843)
	(19,475)	262,255
Increase in cash during the year	567,085	128,929
Cash position, beginning of year	656,041	527,112
Cash position, end of year	1,223,126	656,041

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, 2014

1. Organization and accounting framework

War Child Canada (the "Organization") was incorporated without shared capital under the Canada Corporations Act on February 2, 1999, and was continued under the Canada Not-For-Profit Corporations Act on April 4, 2013. The Organization is registered as a charitable organization under the Income Tax Act (Canada).

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 on 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, 2014

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) Aeroplan miles

The Organization's donated Aeroplan miles are exchanged for airline flights, accommodation, etc. The miles are recorded based on the estimated redemption value as an intangible asset and corresponding deferred revenue and are recognized as revenue and expenses as the miles are used.

(g) 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.

(h) 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 the 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.

	2014	2013
	\$	\$
Cash	265,984	267,276
Grants receivable	97,770	211,640
Deferred contributions	947,602	236,165

War Child Canada

Notes to the financial statements

December 31, 2014

3. Financial risks and concentration of risk (continued)

Credit risk

Credit risk arises from the potential that a third party 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.

4. Investment

	2014	2013
	\$	\$
Term deposit with Canadian Imperial Bank of Commerce, interest at 0.80% (2013 - 1.25%) per annum, maturing March 8, 2016 (2013 - July 26, 2014)	1,044,445	1,036,652

5. Accounts and donor receivable

	2014	2013
	\$	\$
Accounts receivable	475,883	333,822
Grants receivable	97,770	211,640
Harmonized Sales Tax	34,556	35,942
Other	-	3,601
	608,209	585,005

6. Intangible assets

The balance of Aeroplan miles consists of:

	2014	2013
	\$	\$
Balance, beginning of the year	99,843	91,527
Additions during the year	79,809	75,223
Redemptions during the year	(64,719)	(66,907)
	114,933	99,843

During the year, the Organization redeemed a total of 3,157,000 Aeroplan miles with an estimated value of \$64,719 (2013 - redemptions were 3,263,750 miles with an estimated value of \$66,907). The Organization uses an estimate of \$.0205 per Aeroplan mile which is reviewed annually for reasonableness. As at December 31, 2014 the remaining Aeroplan miles balance was 5,606,815 with an estimated value of \$114,933 (2013 - mileage balance was 4,870,411 miles with an estimated value of \$99,843).

War Child Canada

Notes to the financial statements

December 31, 2014

7. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	89,982	74,432	15,550	19,438
Leasehold improvements	14,533	6,162	8,371	10,464
Computer hardware	133,663	120,705	12,958	9,765
	238,178	201,299	36,879	39,667

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$6,150 (2013 - \$3,500) with respect to government remittances.

9. Deferred contributions

	2014	2013
	\$	\$
Opening balance	236,165	286,192
Amounts received during the year	5,911,874	3,321,000
Revenue recognized during the year	(5,200,437)	(3,371,027)
	947,602	236,165
Aeroplane miles	114,933	99,843
	1,062,535	336,008

10. 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:

- 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.
- 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.

War Child Canada

Notes to the financial statements

December 31, 2014

11. Commitments

The Organization has entered into operating lease agreements with respect to the rental of the premises, as well as equipment, expiring in 2017. Minimum annual amounts due under these leases are as follows:

Years ending December 31:

	\$
2015	159,729
2016	46,798
2017	5,713

12. Allocation of expenses

The Organization has allocated its common expenses as follows:

	2014			
	Fundraising	Programme support	General and administration	Total
	\$	\$	\$	\$
Rent and utilities	13,783	63,983	20,671	98,437
Administration	37,322	175,042	54,479	266,843
	51,105	239,025	75,150	365,280

	2013			
	Fundraising	Programme 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

13. Comparative amounts

The 2013 comparative amounts noted below were re-classified to conform to the 2014 financial statement presentation:

	December 31, 2013	
	As amended	As previously stated
	\$	\$
Statement of operations		
Intangible asset	99,843	-
Deferred revenue	99,843	-
	-	-
Statement of operations		
Donations-in-kind - revenue	66,907	-
Donations-in-kind - expenses	66,907	-
	-	-

War Child Canada

Notes to the financial statements

December 31, 2014

13. Comparative amounts (continued)

	December 31, 2013	
	As amended	As previously stated
	\$	\$
Schedule of programme support and development - Schedule 2		
Programme development	649,646	471,966
Public education	-	177,680
Rent and occupancy costs	-	62,490
Allocation of common expenses	198,317	135,827
	847,963	847,963
Note 8 - Deferred contributions		
Amounts received during the year	3,321,000	236,165
Revenue recognized during the year	(3,371,027)	(286,192)
	(50,027)	(50,027)

War Child Canada

Schedule of international programmes - Schedule 1 year ended December 31, 2014

	2014	2013
	\$	\$
Sudan	2,010,648	1,096,365
Afghanistan	1,045,887	1,057,883
Uganda	813,300	438,402
South Sudan	686,396	489,510
Congo	339,262	254,819
Middle East	42,302	-
Sierra Leone	37,530	225,408
Ethiopia	-	5,750
	4,975,325	3,568,137

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, 2014

	2014	2013
	\$	\$
Programme development	727,820	649,646
Allocation of common costs	239,025	198,317
	966,845	847,963