

Financial statements of

War Child Canada

December 31, 2016

War Child Canada

December 31, 2016

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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, 2016, the statements of operations and changes in net assets and 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, 2016 and 2015, current assets as at December 31, 2016 and 2015, and net assets as at January 1, 2016 and 2015 and December 31, 2016 and 2015. Our audit opinion for the year ended December 31, 2015 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, 2016 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
Licensed Public Accountants
June 16, 2017

War Child Canada

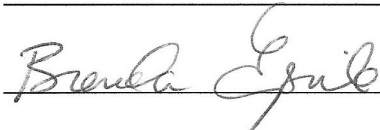
Statement of financial position as at December 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	1,248,553	1,343,519
Investments (Note 4)	838,490	1,358,809
Accounts and grants receivable (Note 5)	1,605,373	1,008,045
Prepaid expenses and deposits	102,809	95,986
	3,795,225	3,806,359
Intangible asset (Note 6)	125,202	92,688
Capital assets (Note 7)	27,656	35,897
	3,948,083	3,934,944
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	353,270	455,923
Deferred contributions (Note 9)	1,736,722	1,532,544
	2,089,992	1,988,467
Guarantees and commitments (Notes 10 and 11)		
Net assets	1,858,091	1,946,477
	3,948,083	3,934,944

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, 2016

	2016	2015
	\$	\$
Revenue		
Grants	11,572,539	9,040,358
Foundations	547,329	382,259
Donations	844,981	787,542
Special events	200,510	339,880
Corporate	107,906	334,456
Other	38,034	98,081
Donations-in-kind	634,368	525,983
	13,945,667	11,508,559
Expenses		
Program		
International programmes (Schedule 1)	11,715,295	9,164,049
Programme support (Schedule 2)	688,048	793,407
Operations		
General administration	300,113	278,101
Fundraising	685,826	686,692
Donations-in-kind	634,368	525,983
	14,023,650	11,448,232
(Deficiency) excess of revenue over expenses before the undernoted	(77,983)	60,327
Less: amortization	(10,403)	(14,189)
(Deficiency) excess of revenue over expenses for the year	(88,386)	46,138
Net assets, beginning of year	1,946,477	1,900,339
Net assets, end of year	1,858,091	1,946,477

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, 2016

	2016	2015
	\$	\$
Operating activities		
Cash receipts from operating revenue	12,778,823	11,020,744
Cash paid to suppliers and employees	(13,391,946)	(10,572,780)
	(613,123)	447,964
Investing activities		
Decrease (increase) in investments	520,319	(314,364)
Purchases of capital assets	(2,162)	(13,207)
	518,157	(327,571)
(Decrease) increase in cash during the year	(94,966)	120,393
Cash position, beginning of year	1,343,519	1,223,126
Cash position, end of year	1,248,553	1,343,519

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, 2016

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, investments, accounts and grants 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, 2016

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 require some degree of estimation are: intangible asset, 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:

	2016	2015
	\$	\$
Cash	709,898	602,360
Accounts receivable	67,335	135,212
Grants receivable	985,194	584,904
Deferred contributions	477,933	714,487

War Child Canada

Notes to the financial statements

December 31, 2016

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. Investments

	2016	2015
	\$	\$
Term deposits with Canadian Imperial Bank of Commerce, interest at 0.90% (2015 - 1.05%) per annum, maturing up to October 10, 2017 (2015 - May 4, 2016)	838,490	1,358,809

5. Accounts and grants receivable

	2016	2015
	\$	\$
Grants receivable	985,194	584,904
Accounts receivable	348,195	226,293
War Child USA	144,681	135,213
Harmonized Sales Tax	127,303	61,635
	1,605,373	1,008,045

6. Intangible asset

The balance of Aeroplan miles consists of:

	2016	2015
	\$	\$
Balance, beginning of the year	92,688	114,933
Additions during the year	89,738	76,788
Redemptions during the year	(57,224)	(99,033)
	125,202	92,688

During the year, the Organization redeemed a total of 2,791,776 (2015 - 4,830,900) Aeroplan miles with a value of \$57,224 (2015 - \$99,033). The Organization uses an estimate of \$0.0205 per Aeroplan mile which is reviewed annually for reasonableness. As at December 31, 2016 the remaining Aeroplan miles balance was 6,107,364 (2015 - 4,521,366) with a value of \$125,202 (2015 - \$92,688).

War Child Canada

Notes to the financial statements

December 31, 2016

7. Capital assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	91,493	80,453	11,040	13,799
Leasehold improvements	14,533	9,175	5,358	6,697
Computer hardware	150,283	139,025	11,258	15,401
	256,309	228,653	27,656	35,897

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$2,686 (2015 - \$2,575) with respect to government remittances.

9. Deferred contributions

	2016	2015
	\$	\$
Opening balance	1,439,856	947,602
Amounts received during the year	11,744,203	9,591,690
Revenue recognized during the year	(11,572,539)	(9,099,436)
	1,611,520	1,439,856
Aeroplane miles	125,202	92,688
	1,736,722	1,532,544

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.

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Notes to the financial statements

December 31, 2016

11. Commitments

The Organization has entered into operating lease agreements with respect to the rental of the premises, as well as equipment, expiring in 2020. Minimum annual amounts due under these leases are as follows:

Years ending December 31:

	\$
2017	174,951
2018	174,951
2019	143,730
2020	127,406

12. Allocation of expenses

The Organization has allocated its common expenses as follows:

	2016			
	Fundraising	Programme support	General and administration	Total
	\$	\$	\$	\$
Rent and utilities	34,565	38,886	38,886	112,337
Administration	73,109	82,248	82,248	237,605
	107,674	121,134	121,134	349,942

	2015			
	Fundraising	Programme support	General and administration	Total
	\$	\$	\$	\$
Rent and utilities	23,024	80,077	16,910	120,011
Administration	53,723	148,717	31,406	233,846
	76,747	228,794	48,316	353,857

13. Credit facilities

The Organization has an operating line of credit to a maximum of \$180,000. This credit facility bears interest at the prime rate plus 1%. No amount had been drawn on this facility as at December 31, 2016 and 2015.

War Child Canada

Schedule of international programmes - Schedule 1 year ended December 31, 2016

	2016	2015
	\$	\$
Sudan	1,007,104	2,040,759
Afghanistan	5,149,477	3,153,573
Uganda	2,075,126	1,118,211
South Sudan	2,811,230	2,396,489
Congo	349,896	387,276
Middle East	322,462	67,741
	11,715,295	9,164,049

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

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Schedule of programme support and development - Schedule 2 year ended December 31, 2016

	2016	2015
	\$	\$
Programme development	335,049	564,615
Allocation of common costs	352,999	228,792
	688,048	793,407