
Financial statements of War Child Canada

December 31, 2017

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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, 2017, 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, excess of revenue over expenses and cash flows from operations for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1, 2017 and 2016 and December 31, 2017 and 2016. Our audit opinion for the year ended December 31, 2016 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, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 28, 2018

War Child Canada

Statement of financial position

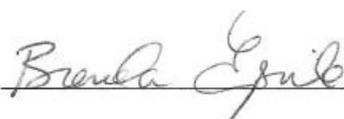
As at December 31, 2017

	Notes	2017	2016
		\$	\$
Assets			
Current assets			
Cash		2,204,329	1,248,553
Short-term investments	4a	580,183	838,490
Grants and other receivable	5	2,592,627	1,605,373
Prepaid expenses and deposits		143,180	102,809
		5,520,319	3,795,225
Long-term investments	4b	475,000	-
Intangible asset	6	117,568	125,202
Capital assets	7	79,096	27,656
		6,191,983	3,948,083
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	886,034	353,270
Deferred contributions	9	3,378,881	1,736,722
		4,264,915	2,089,992
Guarantees and commitments	10 and 11		
Net assets		1,927,068	1,858,091
		6,191,983	3,948,083

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

Approved on behalf of the Board


 _____ Director


 _____ Director

War Child Canada

Statement of operations and changes in net assets

Year ended December 31, 2017

	2017	2016
	\$	\$ (Note 14)
Revenue		
Grants	16,341,496	11,572,539
Foundations	543,216	547,329
Donations	1,235,293	844,981
Special events	635,718	200,510
Corporate	63,504	107,906
Other	7,764	38,034
Donations-in-kind	318,250	634,368
	19,145,241	13,945,667
Expenses		
Program		
International programmes (Schedule)	16,735,048	11,715,295
Programme support	729,838	727,252
Operations		
General administration	495,966	328,166
Fundraising	779,998	618,569
Donations-in-kind	318,250	634,368
	19,059,100	14,023,650
Excess (deficiency) of revenue over expenses before the undernoted	86,141	(77,983)
Less: amortization	(17,164)	(10,403)
Excess (deficiency) of revenue over expenses for the year	68,977	(88,386)
Net assets, beginning of year	1,858,091	1,946,477
Net assets, end of year	1,927,068	1,858,091

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

War Child Canada

Statement of cash flows

Year ended December 31, 2017

	2017	2016
	\$	\$
Operating activities		
Cash receipts from operating revenue	19,240,269	12,778,823
Cash paid to suppliers and employees	(17,999,196)	(13,391,946)
	1,241,073	(613,123)
Investing activities		
(Increase) decrease in investments	(216,693)	520,319
Purchases of capital assets	(68,604)	(2,162)
	(285,297)	518,157
Increase (decrease) in cash during the year	955,776	(94,966)
Cash position, beginning of year	1,248,553	1,343,519
Cash position, end of year	2,204,329	1,248,553

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

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 donor 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.

2. Significant accounting policies (continued)

(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.

(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: 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, donor 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:

	2017	2016
	\$	\$
Cash	915,380	709,898
Accounts receivable	67,335	67,335
Grants receivable	2,066,908	985,194
Deferred contributions	2,420,259	477,933

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 accounts and donor receivable. Donor 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

a) *Short-term investments are comprised of the following:*

	2017	2016
	\$	\$
Equities	77,834	-
Guarantee Investment Certificates with Canadian Imperial Bank of Commerce bearing interest between 0.60% and 0.90% (0.90% in 2016) per annum, maturing between May 4, 2018 and October 10, 2018 (October 10, 2017 in 2016)	502,349	838,490
	580,183	838,490

4. Investments (continued)

b) Long-term investments are comprised of the following:

	2017	2016
	\$	\$
Guarantee Investment Certificate with Canadian Imperial Bank of Commerce bearing interest at 0.90% per annum, maturing on January 2, 2019	475,000	-

5. Grants and other receivable

	2017	2016
	\$	\$
Grants receivable	2,266,811	985,194
Accounts receivable	113,807	348,195
War Child USA	170,236	144,681
Harmonized Sales Tax	41,773	127,303
	2,592,627	1,605,373

6. Intangible asset

The balance for Aeroplan miles consists of:

	2017	2016
	\$	\$
Balance, beginning of the year	125,202	92,688
Additions during the year	66,137	89,738
Redemptions during the year	(73,771)	(57,224)
	117,568	125,202

During the year, the Organization redeemed a total of 3,598,600 (2,791,776 in 2016) Aeroplan miles with an estimated value of \$73,771 (\$57,224 in 2016). The Organization uses an estimate of \$0.0205 per Aeroplan mile which is reviewed annually for reasonableness. As at December 31, 2017 the remaining Aeroplan miles balance was 5,735,022 (2016 - 6,107,364) with an estimated value of \$117,568 (2016 - \$125,202).

7. Capital assets

	2017			2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	150,400	88,552	61,848	11,040
Leasehold improvements	12,859	8,240	4,619	5,358
Computer hardware	159,980	147,351	12,629	11,258
	323,239	244,143	79,096	27,656

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$2,599 (\$2,686 in 2016) with respect to government remittances.

9. Deferred contributions

	2017	2016
	\$	\$
Opening balance	1,611,520	1,439,856
Amounts received during the year	17,991,289	11,744,203
Revenue recognized during the year	(16,341,496)	(11,572,539)
	3,261,313	1,611,520
Balance for Aeroplan miles (Note 6)	117,568	125,202
	3,378,881	1,736,722

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.

11. Commitments

The Organization has entered into operating lease agreements with respect to the rental of the premises, as well as equipment, expiring in 2025. Minimum annual amounts due under these leases are as follows:

Years ending December 31:

	\$
2018	263,457
2019	229,347
2020	198,336
2021	183,649
2022	183,649
Thereafter	382,951

12. Allocation of expenses

The Organization has allocated its common expenses as follows:

				2017
	Fundraising	Programme support	General and administration	Total
	\$	\$	\$	\$
Rent and utilities	37,961	37,961	46,535	122,457
Administration	120,407	120,407	147,592	388,406
	158,368	158,368	194,127	510,863

				2016
	Fundraising	Programme support	General and administration	Total
	\$	\$	\$	\$
Rent and utilities	34,545	38,886	38,886	112,317
Administration	73,109	82,248	82,248	237,605
	107,654	121,134	121,134	349,922

13. Credit facilities

The Organization has an operating line of credit to a maximum of \$150,000. This credit facility bears interest at the prime rate plus 1%. No amount had been drawn on this facility as at December 31, 2017 and 2016.

14. Comparative amounts

The following comparative amounts have been reclassified to conform to the current year's financial statement presentation:

	As amended	2016 As previously presented
	\$	\$
Statement of operations and changes in net assets		
Expenses		
Program		
Programme support	727,252	688,048
Operations		
General administration	328,166	300,113
Fundraising	618,569	685,826
	<u>1,673,987</u>	<u>1,673,987</u>

War Child Canada

Schedule of international programmes

Year ended December 31, 2017

	2017	2016
	\$	\$
Sudan	1,228,160	1,007,104
Afghanistan	7,080,315	5,149,477
Uganda	3,003,499	2,075,126
South Sudan	3,240,361	2,811,230
Congo	314,425	349,896
Middle East	1,868,288	322,462
	16,735,048	11,715,295