

Financial Statements

War Child Canada

December 31, 2021

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Independent Auditor's Report

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To the Members of
War Child Canada

Qualified Opinion

We have audited the financial statements of War Child Canada, which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of War Child Canada as at December 31, 2021, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, War Child Canada derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of War Child Canada. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and net assets as at January 1 and December 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation of scope.

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 are independent of War Child Canada in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule of International Programme Expenses is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing War Child Canada'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 War Child Canada 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 War Child Canada'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 War Child Canada'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 War Child Canada 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.

Toronto, Canada
May 12, 2022

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

War Child Canada

Statement of Financial Position

December 31

2021

2020

Assets

Current assets

Cash	\$ 1,573,276	\$ 3,149,488
Investments (Note 4)	2,151,054	1,382,872
Accounts and donor receivables (Note 5)	955,139	1,083,265
Prepaid expenses and deposits	<u>126,799</u>	<u>111,431</u>
	4,806,268	5,727,056

Intangible assets (Note 6)

157,660 128,468

Capital assets (Note 7)

76,840 56,616

\$ 5,040,768 **\$ 5,912,140**

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 1,533,470	\$ 1,185,812
Deferred contributions (Note 8)	<u>2,245,320</u>	<u>5,487,617</u>
	3,778,790	6,673,429

Net assets

Unrestricted

1,261,978 (761,289)

\$ 5,040,768 **\$ 5,912,140**

Guarantees and commitments (Notes 9 and 10)

Approved on behalf of the Board



Director



Director

See accompanying notes to the financial statements.

War Child Canada

Statement of Operations and Changes in Net Assets

Year ended December 31

2021

2020

Revenue

Grants	\$ 10,641,895	\$ 15,331,346
Foundation donations	2,121,970	1,042,204
Individual donations	1,779,450	1,915,162
Special events	409,159	265,468
Other	289,629	52,961
Donations-in-kind	273,265	379,476
Corporate donations	101,499	188,965
Canadian Emergency Wage Subsidy	<u>94,162</u>	<u>545,839</u>
	<u>15,711,029</u>	<u>19,721,421</u>

Expenses

Program		
International programmes (Schedule 1)	10,953,111	16,015,353
Programme support	467,356	514,509
Operations		
General administration	1,090,517	881,125
Fundraising	927,945	849,143
Donations-in-kind	<u>236,825</u>	<u>379,476</u>
	<u>13,675,754</u>	<u>18,639,606</u>

Excess of revenue over expenses

before amortization	2,035,275	1,081,815
Less: Amortization	<u>(12,008)</u>	<u>(59,438)</u>

Excess of revenue over expenses for the year

Net deficit, beginning of year

Net assets (deficit), end of year

See accompanying notes to the financial statements.

War Child Canada

Statement of Cash Flows

Year ended December 31

2021

2020

Increase (decrease) in cash

Operating activities

Cash receipts from operating revenue	\$ 12,330,842	\$ 21,759,067
Cash paid to suppliers and employees	<u>(13,089,453)</u>	<u>(18,427,186)</u>

	<u>(758,611)</u>	<u>3,331,881</u>
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Investing activity

(Increase) in investments	(768,182)	(845,092)
(Purchases) disposals of capital assets	<u>(49,419)</u>	<u>28,770</u>

	<u>(817,601)</u>	<u>(816,322)</u>
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(Decrease) increase in cash during the year	(1,576,212)	2,515,559
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Cash position, beginning of year	<u>3,149,488</u>	<u>633,929</u>
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Cash position, end of year	<u>\$ 1,573,276</u>	<u>\$ 3,149,488</u>
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See accompanying notes to the financial statements.

War Child Canada

Notes to the Financial Statements

December 31, 2021

1. Purpose of organization

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 contributions.

Donations and pledges which are unrestricted are recorded in the financial statements as revenue when received. Donations and grants designated for specified programs and events are recognized as revenue in the year in which the related expenses are incurred.

Other income is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) Government assistance

The Organization recognized government assistance toward current expenses in the statement of operations and changes in net assets. When government assistance relates to future expenses, the Organization defers the assistance and recognizes it in the statement of operations and changes in net assets as the related expenses are incurred.

(c) Financial instruments

Financial instruments consist of cash, investments, accounts and donor receivables, and accounts payable.

Measurement

Financial instruments are recorded at fair value on initial recognition. The Organization subsequently measures its financial instruments at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

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 the statement of operations and changes in net assets.

War Child Canada

Notes to the Financial Statements

December 31, 2021

2. Significant accounting policies (continued)

(d) *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 and changes in net assets.

(e) *Capital assets*

Capital assets are recorded at cost less accumulated amortization and impairment, if any. Amortization is provided at the following annual rates and bases:

Furniture and equipment	20%	Declining balance
Computer hardware	30, 45, 55%	Declining balance
Motor vehicles		8 years Straight-line

(f) *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.

(g) *Intangible assets - Aeroplan miles*

Aeroplan miles are measured at their estimated redemption value and recorded as revenue and an intangible asset when received. Aeroplan miles are subsequently expensed when used.

(h) *Allocations*

The Organization classifies its functional activities between its programme support, general administration and fundraising 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 activities based on a historical analysis of the level of staff activity and support by function. Management reviews the calculation on a regular basis.

(i) *Use of estimates*

The preparation of financial statements in accordance 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. These estimates are reviewed periodically, and adjustments are made to excess of revenue over expenses as appropriate in the year they become known.

War Child Canada

Notes to the Financial Statements

December 31, 2021

3. Financial risks and concentration of risk

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is mainly exposed to currency risk and interest rate risk.

i) 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 and donor receivables.

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:

	<u>2021</u>	<u>2020</u>
US Dollar		
Cash	\$ 1,131,266	\$ 1,618,658
Accounts and donor receivables	<u>307,284</u>	<u>480,241</u>
	<u>\$ 1,438,550</u>	<u>\$ 2,098,899</u>
Euro		
Cash	<u>\$ 6,386</u>	<u>\$ -</u>
Afghan Afghani		
Cash	\$ 7,586	\$ 11,430
Accounts and donor receivables	<u>-</u>	<u>49,779</u>
	<u>\$ 7,586</u>	<u>\$ 61,209</u>
Jordanian Dinar		
Cash	<u>\$ -</u>	<u>\$ 2,353</u>
Sudanese Pound		
Cash	\$ 23,256	\$ 24,492
Accounts and donor receivables	<u>-</u>	<u>11,012</u>
	<u>\$ 23,256</u>	<u>\$ 35,504</u>
South Sudanese Pound		
Cash	\$ 7,912	\$ 347
Accounts and donor receivables	<u>-</u>	<u>9,500</u>
	<u>\$ 7,912</u>	<u>\$ 9,847</u>

War Child Canada

Notes to the Financial Statements

December 31, 2021

3. Financial risks and concentration of risk (continued)

Ugandan Shilling		
Cash	\$ 13,136	\$ 35,960
Accounts and donor receivables	<u>-</u>	<u>27,898</u>
	<u>\$ 13,136</u>	<u>\$ 63,858</u>

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its investments. The investments subject the Organization to a fair value risk.

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 receivables. Accounts and donor receivables are from government agencies, and organizations and individuals known to the Organization with a proven history of payment.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting the obligations associated with its financial liabilities. The Organization is exposed to this risk primarily in respect of its accounts payable.

4. Investments

a) Short-term investments comprise:

	<u>2021</u>	<u>2020</u>
Equities - at fair value	\$ 1,470,711	\$ 708,702
Guarantee Investment Certificates with Canadian Imperial Bank of Commerce bearing interest between 0.20% and 0.50% (0.25% and 1.50% in 2020) per annum, maturing between February 3, 2022 and December 29, 2022 (between February 1, 2021 and December 29, 2021 in 2020) and measured at amortized cost	<u>680,343</u>	<u>674,170</u>
	<u>\$ 2,151,054</u>	<u>\$ 1,382,872</u>

War Child Canada

Notes to the Financial Statements

December 31, 2021

5. Accounts and donor receivables

	<u>2021</u>	<u>2020</u>
Grants receivable	\$ 644,120	\$ 250,580
Accounts receivable	6,863	383,670
War Child USA	173,761	278,957
Canada Emergency Wage Subsidy receivable	94,162	123,660
Harmonized sales tax	<u>36,233</u>	<u>46,398</u>
	<u>\$ 955,139</u>	<u>\$ 1,083,265</u>

6. Intangible assets

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 128,468	\$ 79,191
Additions during the year	36,440	81,967
Redemptions during the year	<u>(7,248)</u>	<u>(32,690)</u>
	<u>\$ 157,660</u>	<u>\$ 128,468</u>

During the year, the Organization redeemed a total of 353,540 Aeroplan Miles (2020 - 1,594,642) with an estimated value of \$7,248 (2020 - \$32,690) which were contributed from third parties. The Organization uses an estimate of \$.0205 (2020 - \$.0205) per Aeroplan mile which is reviewed annually for reasonableness. As at December 31, 2021 the remaining Aeroplan miles balance was 7,690,726 (2020 - 6,266,765) with an estimated value of \$157,660 (2020 - \$128,468).

7. Capital assets

	<u>Cost</u>	<u>Amortization</u>	<u>2021</u> <u>Net Book</u> <u>Value</u>	<u>2020</u> <u>Net Book</u> <u>Value</u>
Furniture and equipment	\$ 95,695	\$ 51,582	\$ 44,113	\$ 55,142
Computer hardware	67,747	63,667	4,080	1,474
Motor vehicles	<u>45,835</u>	<u>17,188</u>	<u>28,647</u>	<u>-</u>
	<u>\$ 209,277</u>	<u>\$ 132,437</u>	<u>\$ 76,840</u>	<u>\$ 56,616</u>

War Child Canada

Notes to the Financial Statements

December 31, 2021

8. Deferred contributions

Deferred contributions consist of contributions and grants that are designated for specified programs and events.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 5,487,617	\$ 3,376,260
Amounts received during the year	7,399,598	17,442,703
Revenue recognized during the year	<u>(10,641,895)</u>	<u>(15,331,346)</u>
Balance, end of year	<u>\$ 2,245,320</u>	<u>\$ 5,487,617</u>

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.
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10. Commitments

The Organization has entered into an operating lease agreement with respect to the rental of the premises, equipment, and payment processing services, expiring in 2023. Minimum annual amounts due under this lease are as follows:

Years ending December 31:

2022	\$ 57,847
2023	33,744

The Organization has entered into a lease agreement with respect to the rental of computer equipment, expiring in 2023. Minimum annual amounts due under this lease are as follows:

Years ending December 31:

2022	\$ 22,816
2023	17,112

War Child Canada

Notes to the Financial Statements

December 31, 2021

10. Commitments (continued)

The Organization has entered into an agreement with respect to information technology services support. Minimum annual amounts due under this agreement are as follows:

Years ending December 31:

2022	\$ 40,786
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The Organization has entered into subscription agreements with respect to online software platforms expiring in 2022 and 2023. Minimum annual amounts due under these agreements are as follows:

Years ending December 31:

2022	\$ 309,368
2023	13,510

11. Allocation of expenses

	<u>Programme support</u>	<u>General administration</u>	<u>Fundraising</u>	<u>2021 Total</u>
Rent and utilities	\$ 16,116	\$ 20,228	\$ 18,069	\$ 54,413
Administration	<u>165,812</u>	<u>208,115</u>	<u>185,902</u>	<u>559,829</u>
	<u>\$ 181,928</u>	<u>\$ 228,343</u>	<u>\$ 203,971</u>	<u>\$ 614,242</u>
	<u>Programme support</u>	<u>General administration</u>	<u>Fundraising</u>	<u>2020 Total</u>
Rent and utilities	\$ 117,929	\$ 131,803	\$ 97,119	\$ 346,851
Administration	<u>170,158</u>	<u>190,176</u>	<u>140,129</u>	<u>500,463</u>
	<u>\$ 288,087</u>	<u>\$ 321,979</u>	<u>\$ 237,248</u>	<u>\$ 847,314</u>

12. 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, 2021 or 2020.

War Child Canada

Schedule of International Programme Expenses

December 31, 2021

	<u>2021</u>	<u>2020</u>
Afghanistan	\$ 3,463,851	\$ 7,798,925
Congo	2,779,539	2,220,341
Sudan	2,457,795	1,903,741
South Sudan	1,309,983	1,149,501
Uganda	874,810	2,716,619
Yemen	53,683	-
Middle East	<u>13,450</u>	<u>226,226</u>
	<u>\$ 10,953,111</u>	<u>\$ 16,015,353</u>