
Financial statements of War Child Canada

December 31, 2018

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	12

Independent Auditor's Report

To the Board of Directors of
War Child Canada

Qualified Opinion

We have audited the financial statements of War Child Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and changes in net assets and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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 the Organization as at December 31, 2018, 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, the Organization 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 the Organization and we were not able to determine whether any adjustments might be necessary to donation revenue, the excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this scope limitation.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 the Organization 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Organization'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 the Organization 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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 the Organization 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.

Deloitte LLP

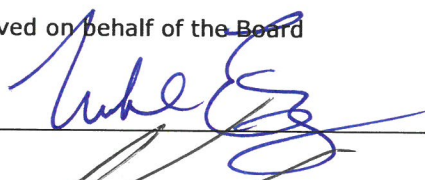
Chartered Professional Accountants
Licensed Public Accountants
September 3, 2019

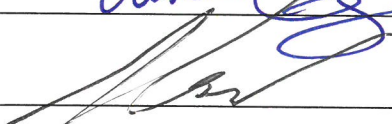
War Child Canada
Statement of financial position
As at December 31, 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash		503,878	2,204,329
Short-term investments	4a	959,075	502,349
Grants and other receivables	5	1,512,998	2,592,627
Prepaid expenses and deposits		136,980	143,180
		3,112,931	5,442,485
Long-term investments			
	4b	52,570	552,834
Intangible asset	6	87,166	117,568
Capital assets	7	170,966	79,096
		3,423,633	6,191,983
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	956,379	886,034
Deferred contributions	9	629,320	3,378,881
Lease inducements		36,543	—
		1,622,242	4,264,915
Guarantees and commitments			
	10 and 11		
Net assets			
		1,801,391	1,927,068
		3,423,633	6,191,983

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, 2018

	2018	2017
	\$	\$
Revenue		
Grants	15,588,350	16,341,496
Foundations	744,966	543,216
Donations	1,168,481	1,235,293
Special events	681,027	635,718
Corporate	183,644	63,504
Other	21,439	7,764
Donations-in-kind	189,167	318,250
	18,577,074	19,145,241
Expenses		
Program		
International programmes (Schedule)	15,959,172	16,735,048
Programme support	1,058,791	729,838
Operations		
General administration	577,591	495,966
Fundraising	889,070	779,998
Donations-in-kind	189,167	318,250
	18,673,791	19,059,100
(Deficiency) excess of revenue over expenses before the undernoted	(96,717)	86,141
Less: amortization	(28,960)	(17,164)
(Deficiency) excess of revenue over expenses for the year	(125,677)	68,977
Net assets, beginning of year	1,927,068	1,858,091
Net assets, end of year	1,801,391	1,927,068

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

War Child Canada
Statement of cash flows
Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Cash receipts from operating revenue	16,444,677	19,240,269
Cash paid to suppliers and employees	(18,067,836)	(17,999,196)
	(1,623,159)	1,241,073
Investing activities		
Decrease (increase) in investments	43,538	(216,693)
Purchases of capital assets	(120,830)	(68,604)
	(77,292)	(285,297)
(Decrease) increase in cash during the year	(1,700,451)	955,776
Cash, beginning of year	2,204,329	1,248,553
Cash, end of year	503,878	2,204,329

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%	
Lease inducements	Term of lease	

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.

(i) Deferred lease inducements

Deferred lease inducements consist of a period of free rent and are amortized on the straight-line basis over the term of the lease.

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:

	2018	2017
	\$	\$
Cash	1,149,119	915,380
Accounts receivable	21,315	67,335
Grants receivable	1,039,181	2,066,908
Deferred contributions	56,179	2,420,259

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 other receivables. 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:*

	2018	2017
	\$	\$
Guarantee Investment Certificates with Canadian Imperial Bank of Commerce bearing interest between 1.60% and 2.20% (0.60% and 0.90% in 2017) per annum, maturing between May 3, 2019 and December 31, 2019 (between May 4, 2018 and October 10, 2018 in 2017)	959,075	502,349

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

	2018	2017
	\$	\$
Equities	52,570	77,834
Guarantee Investment Certificate with Canadian Imperial Bank of Commerce bearing interest at 0.90% per annum, maturing on December 31, 2019	—	475,000
	52,570	552,834

5. Grants and other receivables

	2018	2017
	\$	\$
Grants receivable	1,039,181	2,266,811
Accounts receivable	50,360	113,807
War Child USA	323,126	170,236
Harmonized Sales Tax	100,331	41,773
	1,512,998	2,592,627

6. Intangible asset

The balance for Aeroplan miles consists of:

	2018	2017
	\$	\$
Balance, beginning of the year	117,568	125,202
Additions during the year	98,129	66,137
Redemptions during the year	(128,531)	(73,771)
	87,166	117,568

During the year, the Organization redeemed a total of 6,269,744 Aeroplan miles (3,598,600 in 2017) with an estimated value of \$128,531 (\$73,771 in 2017). The Organization uses an estimate of \$0.0205 per Aeroplan mile which is reviewed annually for reasonableness. As at December 31, 2018 the remaining Aeroplan miles balance was 4,251,980 (5,735,022 in 2017) with an estimated value of \$ 87,166 (\$117,568 in 2017).

7. Capital assets

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	\$	\$	\$	\$
Furniture and equipment	182,443	104,126	78,317	61,848
Leasehold improvements	50,434	5,043	45,391	4,619
Computer hardware	166,410	155,695	10,715	12,629
Lease inducements	42,550	6,007	36,543	—
	441,837	270,871	170,966	79,096

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$33,178 (\$2,599 in 2017) with respect to government remittances.

9. Deferred contributions

	2018 \$	2017 \$
Opening balance	3,261,313	1,611,520
Amounts received during the year	12,869,191	17,991,289
Revenue recognized during the year	(15,588,350)	(16,341,496)
	542,154	3,261,313
Balance for Aeroplan miles (Note 6)	87,166	117,568
	629,320	3,378,881

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:

- (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.

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:

	\$
2019	229,347
2020	198,336
2021	183,649
2022	183,649
2023	183,649
Thereafter	199,302

12. Allocation of expenses

The Organization has allocated its common expenses as follows:

	Fundraising	Programme support	General and administration	2018 Total
	\$	\$	\$	\$
Rent and utilities	86,114	78,515	88,647	253,276
Administration	125,634	114,549	129,329	369,512
	211,748	193,064	217,976	622,788

	Fundraising	Programme support	General and administration	2017 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

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, 2018 and 2017.

War Child Canada
Schedule of international programmes
Year ended December 31, 2018

	2018	2017
	\$	\$
Sudan	815,768	1,228,160
Afghanistan	7,542,493	7,080,315
Uganda	3,861,091	3,003,499
South Sudan	1,528,994	3,240,361
Congo	467,566	314,425
Middle East	1,743,260	1,868,288
	15,959,172	16,735,048

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