

Financial Statements

War Child Canada

December 31, 2023

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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, 2023, 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, 2023, 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, (deficiency) excess of revenue over expenses, and cash flows from operations for the year ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 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 Program 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 War Child Canada'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.

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

Toronto, Canada  
May 13, 2024

Chartered Professional Accountants  
Licensed Public Accountant

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## War Child Canada

### Statement of Financial Position

December 31	2023	2022
<b>Assets</b>		
Current assets		
Cash	\$ 5,855,532	\$ 1,367,871
Investments (Note 4)	1,695,762	1,905,530
Accounts and donor receivables (Note 5)	668,715	2,150,217
Prepaid expenses and deposits	<u>1,187,208</u>	<u>969,128</u>
	<b>9,407,217</b>	<b>6,392,746</b>
Intangible assets (Note 6)	82,911	123,322
Capital assets (Note 7)	<u>46,913</u>	<u>61,064</u>
	<b>\$ 9,537,041</b>	<b>\$ 6,577,132</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,311,473	\$ 1,426,769
Deferred contributions (Note 8)	<u>7,276,721</u>	<u>3,851,807</u>
	<b>8,588,195</b>	<b>5,278,576</b>
<b>Net assets</b>		
Unrestricted	<u>948,847</u>	<u>1,298,556</u>
	<b>\$ 9,537,041</b>	<b>\$ 6,577,132</b>

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Guarantees and commitments (Notes 9 and 10)

Approved on behalf of the Board

Original signed by Michael Eizenga  
 \_\_\_\_\_  
 Director

Original signed by Adrian Lang  
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 Director

See accompanying notes to the financial statements.

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## War Child Canada

### Statement of Operations and Changes in Net Assets

Year ended December 31

2023

2022

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#### Revenue

Grants	\$ 14,846,553	\$ 10,351,396
Individual donations	1,274,673	1,125,306
Special events	1,154,123	833,237
Foundation donations	934,628	1,942,200
Other	296,248	139,678
Donations-in-kind	223,352	460,252
Corporate donations	147,833	120,257

18,877,410

14,972,326

#### Expenses

Program		
International programmes (Schedule)	15,877,347	11,423,882
Programme support (Note 11)	850,000	841,390
Operations		
General administration (Note 11)	626,037	660,224
Fundraising (Note 11)	1,626,233	1,596,394
Donations-in-kind	223,352	425,082

19,212,969

14,919,972

(Deficiency) excess of revenue over expenses  
before the undernoted

(335,559)

52,354

Less: Amortization

(14,150)

(15,776)

(Deficiency) excess of revenue over expenses

(349,709)

36,578

Net assets, beginning of year

1,298,556

1,261,978

**Net assets, end of year**

**\$ 948,847**

**\$ 1,298,556**

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See accompanying notes to the financial statements.

# War Child Canada

## Statement of Cash Flows

Year ended December 31

2023

2022

Increase (decrease) in cash

### Cashflow from Operating activities

(Deficiency) excess of revenue over expenses	\$ (349,709)	\$ 36,578
Items not affecting cash:		
Amortization	14,150	15,776
Unrealized gains on investments	(129,110)	(56,131)
Realized losses on sale of investments	13,580	5,557
Investment income	(49,284)	(19,943)
Decrease in intangible assets	40,411	34,338
Changes in non-cash operating working capital:		
Accounts and donor receivables	1,481,502	(1,195,078)
Prepaid expenses and deposits	(218,080)	(842,328)
Accounts payable and accrued liabilities	(115,295)	(106,701)
Deferred contributions	<u>3,424,914</u>	<u>1,606,487</u>
	<u>4,113,079</u>	<u>(521,445)</u>
<b>Investing activities</b>		
Net proceeds from disposition of investments	325,298	296,096
Investment income	<u>49,284</u>	<u>19,944</u>
	<u>374,582</u>	<u>316,040</u>
Increase (decrease) in cash during the year	4,487,661	(205,405)
Cash position, beginning of year	<u>1,367,871</u>	<u>1,573,276</u>
Cash position, end of year	<u>\$ 5,855,532</u>	<u>\$ 1,367,871</u>

See accompanying notes to the financial statements.

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# War Child Canada

## Notes to Financial Statements

December 31, 2023

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### 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.

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### 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.

Donations and grants designated for specified programs and events for expenses to be incurred in future years are recorded as accounts receivable and deferred contributions when the amount can be estimated, and collection is reasonably assured.

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 deferred 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 and accrued liabilities.

##### *Measurement*

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



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# War Child Canada

## Notes to Financial Statements

December 31, 2023

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### 2. Significant accounting policies (continued)

#### *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.

#### (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 and indirect administration 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 Financial Statements

December 31, 2023

### 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.

#### a) *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 financial instruments, as defined in Note 2 (c), and deferred contributions.

A significant portion of the Organization's contributions and project expenses are denominated in foreign currencies. At year end, the financial instruments and deferred contribution balances included the following foreign currency amounts denominated in Canadian Dollars:

2023	US Dollar	Euro	Afghan Afghani	Sudanese Pound	South Sudanese Pound	Ugandan Shilling
<b>Cash</b>	<b>\$ 3,935,805</b>	<b>\$ 6</b>	<b>\$ 94,789</b>	<b>\$ 86,816</b>	<b>\$ 7,482</b>	<b>\$ 330,748</b>
<b>Investments</b>	<b>1,409,598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accounts and donor receivables</b>	<b>99,486</b>	<b>-</b>	<b>47,860</b>	<b>12,532</b>	<b>-</b>	<b>11,662</b>
	<b>5,444,889</b>	<b>6</b>	<b>142,649</b>	<b>99,348</b>	<b>7,482</b>	<b>342,410</b>
<b>Accounts payable and accrued liabilities</b>	<b>788,116</b>	<b>-</b>	<b>58,229</b>	<b>67,415</b>	<b>-</b>	<b>134,431</b>
<b>Net financial instruments foreign currency balance</b>	<b>4,656,773</b>	<b>6</b>	<b>84,420</b>	<b>31,933</b>	<b>7,482</b>	<b>207,979</b>
<b>Deferred contributions</b>	<b>4,758,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,006</b>
<b>Net Foreign Currency Balance</b>	<b>(\$102,202)</b>	<b>\$ 6</b>	<b>\$ 84,420</b>	<b>\$ 31,933</b>	<b>\$ 7,482</b>	<b>\$ 194,973</b>

# War Child Canada

## Notes to Financial Statements

December 31, 2023

### 3. Financial risks and concentration of risk (continued)

2022	US Dollar	Euro	Afghan Afghani	Sudanese Pound	South Sudanese Pound	Ugandan Shilling
Cash	\$ 694,172	\$ 109,595	(\$100,984)	\$ 59,055	\$ 8,201	\$ 61,199
Investments	1,254,214	-	-	-	-	-
Accounts and donor receivables	560,976	-	-	72,217	-	-
	2,509,362	109,595	(100,984)	131,272	8,201	61,199
Accounts payable and accrued liabilities	582,206	-	275,868	142,506	8,005	22,686
Net financial instruments foreign currency balance	1,927,156	109,595	(376,852)	(11,234)	196	38,513
Deferred contributions	2,633,855	-	-	-	-	-
Net foreign currency balance	(\$706,699)	\$ 109,595	(\$100,984)	\$131,272	\$ 8,201	\$ 61,199

#### b) 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. There was no significant change in exposure from the prior year.

#### 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.

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# War Child Canada

## Notes to Financial Statements

December 31, 2023

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### 3. Financial risks and concentration of risk (continued)

#### *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.

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### 4. Investments

a) Short-term investments comprise:

	<u>2023</u>	<u>2022</u>
Equities - at fair value	<b>\$ 1,695,762</b>	\$ 1,573,289
Guarantee Investment Certificates with Canadian Imperial Bank of Commerce, bearing interest between 1.20% and 2.50% per annum, maturing between May 5, 2023, and December 29, 2023, in 2022 - at amortized cost.	<u>-</u>	<u>332,241</u>
	<b><u>\$ 1,695,762</u></b>	<b><u>\$ 1,905,530</u></b>

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### 5. Accounts and donor receivables

	<u>2023</u>	<u>2022</u>
Grants receivable	<b>\$ 521,206</b>	\$ 1,921,532
Accounts receivable	<b>63,700</b>	45,166
War Child USA	<b>30,344</b>	120,269
Harmonized Sales Tax	<u><b>53,465</b></u>	<u>63,250</u>
	<b><u>\$ 668,715</u></b>	<b><u>\$ 2,150,217</u></b>

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# War Child Canada

## Notes to Financial Statements

December 31, 2023

### 6. Intangible assets

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 123,322	\$ 157,660
Additions during the year	53,484	35,170
Redemptions during the year	(62,734)	(69,508)
Impairment	<u>(31,161)</u>	-
	<u>\$ 82,911</u>	<u>\$ 123,322</u>

During the year, the Organization redeemed a total of 3,060,219 Aeroplan Miles (2022 - 3,390,622) with an estimated value of \$62,734 (2022 - \$69,508). The Organization used an estimate of \$.0205 per Aeroplan mile in 2023 (2022 - 0.0205). At year-end, it was determined future miles should be valued at \$0.0149 based on an analysis of the Organization's expected usage going forward. This resulted in an impairment of \$31,161. As of December 31, 2023, the remaining Aeroplan miles balance was 5,564,499 (2022 - 6,015,721) with an estimated value of \$82,911 (2022 - \$123,322).

### 7. Capital assets

	<u>Cost</u>	<u>Amortization</u>	<u>2023</u> <u>Net Book</u> <u>Value</u>	<u>2022</u> <u>Net Book</u> <u>Value</u>
Furniture and equipment	\$ 95,695	\$ 67,463	\$ 28,232	\$ 35,291
Computer hardware	3,584	2,091	1,493	2,856
Motor vehicles	<u>45,835</u>	<u>28,647</u>	<u>17,188</u>	<u>22,917</u>
	<u>\$ 145,113</u>	<u>\$ 98,200</u>	<u>\$ 46,913</u>	<u>\$ 61,064</u>

### 8. Deferred contributions

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,851,807	\$ 2,245,320
Amounts received or receivable in the year	18,271,467	11,957,883
Revenue recognized during the year	<u>(14,846,553)</u>	<u>(10,351,396)</u>
Balance, end of year	<u>\$ 7,276,721</u>	<u>\$ 3,851,807</u>

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# War Child Canada

## Notes to Financial Statements

December 31, 2023

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### 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, lawsuits, 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 operating leases for certain premises, vehicles and office equipment as well as other non-cancellable service agreements. Minimum annual amounts due under these agreements are as follows:

Years ending December 31:

2024	\$ 388,040
2025	154,565
2026	54,018

In addition to the fixed commitments disclosed above, the Organization is committed to proportionately matching the amount of the contributions made by certain donors.

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# War Child Canada

## Notes to Financial Statements

December 31, 2023

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### 11. Allocation of expenses

Prior to 2023, all executive and senior finance staff compensation was included as a general administration expense in the statement of operations and changes in net assets. During the current year, it was determined that this did not properly reflect the level of activity of these individuals in programme support and fundraising. Accordingly, the Organization decided to restate these amounts to reflect the level of activity, which in turn affected the amounts that had been previously allocated. These changes have been made retrospectively and resulted in an increase in costs allocated to programme support and fundraising of \$356,059 and \$166,755, respectively, and a decrease in costs allocated to general administration of \$522,814 for the year ended December 31, 2022.

	<u>Programme support</u>	<u>General administration</u>	<u>Fundraising</u>	<u>2023 Total</u>
Salaries	\$ 468,286	\$ 271,416	\$ 177,725	\$ 917,428
Rent and utilities	19,338	9,684	21,253	50,275
Administration	<u>243,842</u>	<u>122,102</u>	<u>267,978</u>	<u>633,922</u>
	<u>\$ 731,466</u>	<u>\$ 403,202</u>	<u>\$ 466,956</u>	<u>\$ 1,601,624</u>

  

	<u>Programme support</u>	<u>General administration</u>	<u>Fundraising</u>	<u>2022 Total</u>
Salaries	\$ 435,594	\$ 263,591	\$ 166,131	\$ 865,316
Rent and utilities	20,438	10,942	20,407	51,787
Administration	<u>252,193</u>	<u>135,008</u>	<u>251,802</u>	<u>639,003</u>
	<u>\$ 708,225</u>	<u>\$ 409,541</u>	<u>\$ 438,340</u>	<u>\$ 1,556,106</u>

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### 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, 2023, or 2022.

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### 13. Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

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## War Child Canada

### Schedule of International Programme Expenses

December 31

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	<u>2023</u>	<u>2022</u>
Uganda	\$ 7,589,972	\$ 1,918,290
Afghanistan	3,386,786	4,247,209
South Sudan	2,734,117	1,671,767
Sudan	863,254	1,865,050
Congo	849,453	1,381,846
Yemen	443,769	314,674
Iraq	19,996	19,387
Other	-	5,659
	<u>\$ 15,887,347</u>	<u>\$ 11,423,882</u>