

Financial statements of

CARE Canada

June 30, 2017

CARE Canada

June 30, 2017

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Independent Auditor's Report

To the Board of Directors of
CARE Canada

We have audited the accompanying financial statements of CARE Canada, which comprise the statement of financial position as at June 30, 2017, and the statements of operations, changes in fund balances 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 controls 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 judgement, 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CARE Canada as at June 30, 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.



Chartered Professional Accountants
Licensed Public Accountants

November 28, 2017

CARE Canada

Statement of financial position

as at June 30, 2017

(in thousands of dollars)

	2017	2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	42,514	38,539
Amounts receivable	4,884	6,725
Contributions receivable from donors (Note 4)	5,264	5,779
Prepaid expenses	239	434
	52,901	51,477
Restricted investments (Note 4)	240	240
Loans receivable (Note 9)	314	343
Capital assets (Note 5)	3,590	3,690
Total assets	57,045	55,750
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,173	5,645
Government remittances payable	156	181
Deferred contributions (Note 4)	42,662	42,814
Current portion of long-term debt (Note 6)	245	236
	50,236	48,876
Long-term debt (Note 6)	84	329
Deferred contributions (Note 4)	230	230
Total liabilities	50,550	49,435
Commitments, contingent liabilities and guarantees (Notes 10 and 11)		
Fund balances		
Annual Fund		
Unrestricted	2,825	2,276
Invested in capital assets	3,261	3,125
Venture and Emergency Fund	409	914
Total fund balances	6,495	6,315
Total liabilities and fund balances	57,045	55,750

On behalf of the Board



Director



Director

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

CARE Canada
Statement of operations
Year ended June 30, 2017
(in thousands of dollars)

	2017	2016
	\$	\$
Support and revenues		
Fundraising	10,108	9,201
Canadian funded	37,459	35,442
Globally funded	30,831	36,902
CARE International Members's contributions	94,371	56,566
Miscellaneous and investment revenue	2,062	2,499
Total support and revenues	174,831	140,610
Expenses		
Program activities		
Humanitarian Programs	88,978	61,018
Development Programs		
Food & Nutrition Security and Resilience to Climate Change	36,987	31,347
A Life Free from Violence	1,447	2,286
Sexual, Reproductive and Maternal Health	8,035	11,369
Women's Economic Empowerment	19,484	15,575
Other	8,726	9,047
Country offices management	2,484	2,118
International programs	1,262	1,268
	167,403	134,028
Support services		
Management and general fees	3,682	3,883
Fundraising, public and donor relations	2,575	1,399
Membership in CARE International	991	1,198
	7,248	6,480
Total expenses	174,651	140,508
Excess of support and revenues over expenses	180	102

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

CARE Canada

Statement of changes in fund balances

Year ended June 30, 2017

(in thousands of dollars)

	Venture and Emergency Fund	Annual Fund		Total	
		Invested in capital assets	Unrestricted	2017	2016
	\$	\$	\$	\$	\$
Fund balances, beginning of year	914	3,125	2,276	6,315	6,213
Excess of support and revenues over expenses	-	-	180	180	102
Interfund transfer (Note 3)	(505)	-	505	-	-
Net change in invested in capital assets ¹	-	136	(136)	-	-
Fund balances, end of year	409	3,261	2,825	6,495	6,315

¹ Net change in invested in capital assets

Acquisition of capital assets

107

Amortization of capital assets

(207)

Repayment of long-term debt

236

136

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

CARE Canada
Statement of cash flows
Year ended June 30, 2017
(in thousands of dollars)

	2017	2016
	\$	\$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of support and revenues over expenses	180	102
Items not affecting cash:		
Amortization of capital assets	207	350
Amortization of deferred contributions related to capital assets	-	(23)
	387	429
Changes in non-cash operating working capital items:		
Decrease (increase) in accounts receivable	1,841	(2,605)
Decrease (increase) in contributions receivable from donors	515	(1,046)
Decrease (increase) in prepaid expenses	195	(212)
Increase in accounts payable and accrued liabilities	1,528	684
Decrease in government remittances payable	(25)	(131)
Decrease (increase) in deferred contributions	(152)	6,671
	4,289	3,790
Investing		
Purchase of capital assets	(107)	(174)
Decrease (increase) in loans receivable	29	(2)
Increase in restricted investments	-	(4)
	(78)	(180)
Financing		
Repayment of long-term debt	(236)	(228)
Net increase in cash	3,975	3,382
Cash and cash equivalents, beginning of year	38,539	35,157
Cash and cash equivalents, end of year	42,514	38,539

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

CARE Canada

Notes to the financial statements

June 30, 2017

(in thousands of dollars)

1. Description

CARE Canada was established in 1946 and was incorporated in 1977 under Part II of the Canada Corporations Act. In 2014, CARE Canada received a Certificate of Continuance under the Canada Not-for-Profit Corporations Act. CARE Canada is a not-for-profit, non-governmental organization in the field of relief, reconstruction and development in developing countries and is governed by a volunteer board of directors whose services are provided at no cost to CARE Canada.

CARE Canada is a registered charitable organization for purposes of the Income Tax Act (Canada) and as such is not subject to income tax. CARE Canada is an independent member of CARE International.

2. Significant accounting policies

Basis presentation

These financial statements include the assets and liabilities of CARE Canada's Canadian operations and the six (2016 - six) overseas Country Offices (Chad, Cuba, Indonesia, Kenya, Zambia and Zimbabwe) for which it has responsibility, and the revenues and expenses for which CARE Canada and its six overseas Country Offices enter into contracts with donors for the funding of projects.

Controlled entities

CARE Canada established the CEP Investment Trust in 2007 and provided the Trust with long-term loans to facilitate investments in Pro-Poor businesses in the Third World. CARE Canada is the sole beneficiary of CEP Investment Trust. The CEP Investment Trust financial statements have not been consolidated with CARE Canada's financial statements. The CEP Investment Trust has a December 31st year-end.

Fund accounting

CARE Canada follows the restricted fund method of accounting for contributions. To ensure observance of limitations and restrictions placed on the use of resources available to CARE Canada, the accounts of CARE Canada are classified for reporting purposes into funds in accordance with activities or objectives specified by the donors or in accordance with the directives issued by the Board of Directors. Transfers between funds are recorded as approved by CARE Canada's Board of Directors.

The Annual Fund reports resources to be used for CARE Canada's programs and administrative activities. This fund reports unrestricted resources and restricted contributions.

The Venture and Emergency Fund includes donations and contributions that the use of which is restricted by the donors for:

- the Emergency Relief Rapid Response Program to be used as a vehicle to help at the very onset of a crisis; and
- the Pro-Poor Business Program to be used to effectively reduce poverty by utilizing market mechanisms and business enterprise functions designed to put more income into the hands of poor people.

Revenue recognition

Unrestricted contributions are recorded as revenue of the Annual Fund in the year received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue in the Annual Fund in the year in which the related expenses are incurred.

CARE Canada

Notes to the financial statements

June 30, 2017

(in thousands of dollars)

2. Significant accounting policies (continued)

Revenue recognition (continued)

Investment income earned on the Venture and Emergency Fund is recognized as revenue in the Venture and Emergency Fund or the Annual Fund depending on the nature of any restrictions imposed by the donor. Other investment income is recognized as income of the Annual Fund when earned.

Canadian funded:

CARE Canada enters into contracts with the Canadian Government (the Department of Global Affairs Canada (GAC)) and other donors for the funding of projects in various countries. These funds are recorded as revenue of the Annual Fund as related expenses are incurred. Any indirect costs recovery, management fee or procurement fee that is applicable to CARE Canada are recorded as revenue of the Annual Fund in accordance with the terms in the individual contracts.

The portion of the contributions that relates to a future period is deferred and recognized as revenue of the Annual Fund in the period that the contributions are spent. Any contribution expended in excess of the contributions received from the donors is shown in the statement of financial position as contributions receivable from donors.

Contributions and donated services:

Contributions in kind received from multilateral donors, the Canadian Government and other organizations are recorded as revenue and program activity expenses at fair value.

Wherever government and local communities in countries in which CARE Canada operates contribute labour services, transportation and storage facilities to various projects, the value of such contributions is not reflected in the financial statements because of the difficulty of measurement.

Similarly, contributions in kind by various media for public information and fundraising campaigns are not reflected in the financial statements because of the difficulty of measurement.

Donated capital assets are capitalized and amortized and contributions received towards the acquisition of capital assets are deferred and amortized to revenue on the same basis as the related depreciable capital assets are amortized.

Expense allocation

CARE Canada's expenses are recorded and reported by program and support services. The Organization incurs a number of general support expenses that are common to the administration of CARE Canada and its programs. General support expenses incurred in CARE Canada's Canadian operations are included under "Country offices management", "International programs", "Management and general" and "Fundraising, public and donor relations". There is no allocation of Canadian general support expenses to different program activities. General support expenses, such as budgeting, accounting, human resources, and information technology, incurred in CARE Canada's six (2016 - six) overseas Country Offices are allocated to program activities. Personnel costs are allocated based on the percentage of relevant employees' time involved in supporting the program and other operating and general expenses are allocated on a proportionate basis relating to the function. Such allocations are reviewed, updated and applied on a prospective basis.

Financial instruments

CARE Canada's financial instruments consist of cash and cash equivalents, accounts receivable, contributions receivable from donors, restricted investments, loans receivable, accounts payable and accrued liabilities, government remittances payable and long-term debt.

CARE Canada initially measures its financial assets and liabilities at fair value. They subsequently measure all its financial assets and liabilities at amortized cost, except for cash and cash equivalents and investments which are measured at fair value.

CARE Canada

Notes to the financial statements

June 30, 2017

(in thousands of dollars)

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include internally restricted and unrestricted cash and cash equivalents that are readily convertible to a known amount of cash. In accordance with the Investment Policy approved by the Board of Directors, cash and cash equivalents are held in highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Capital assets

Capital assets acquired for direct use in donor-funded projects are expensed in the year of acquisition as CARE Canada is not entitled to ownership. Those that are not project-specific are capitalized and amortized over their estimated useful lives. Contributed capital assets are recorded at fair value at the date of contribution.

For internally used software, the acquisition costs of software licenses and associated consulting costs and the payroll costs of employees directly associated with implementation of the asset are capitalized. The costs of software maintenance, training and data conversion are expensed in the period incurred.

Amortization is provided on a straight-line basis over the estimated useful lives as follows:

Buildings	10 and 40 years
Vehicles	3 years
Leasehold improvements	Over the term of the lease
Office equipment	5 years
Computer equipment	3 years
Computer software	1 to 3 years

Land is not amortized due to its infinite life.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the net carrying value of the asset over its residual value.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. All other assets and liabilities are translated at their historical rate. Revenue and expense items are translated using average monthly rates. Any resulting foreign exchange gains or losses are recorded in the statement of operations.

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating the recoverability of project expenditures and the determination of the allowance for doubtful contributions receivable from donors, the useful life of capital assets, the fair value of investments, the amount of accrued liabilities and the fair value of contributions in kind. Actual results could differ from management's best estimates as additional information becomes available in the future.

CARE Canada

Notes to the financial statements

June 30, 2017

(in thousands of dollars)

3. Capital management

CARE Canada's objectives in managing capital are:

- a) to ensure that sufficient financial resources are in place to deliver on the priorities set by the Board of Directors during its annual budget and business plan review;
- b) to safeguard its ability to continue as a charitable organization and meet the objectives of the different funds as described in Note 2;
- c) to maintain the Annual Fund unrestricted reserve to an equivalent of a minimum of six months of operating expenses; and
- d) to invest funds in financial instruments that conform to investment policy and which present a low risk for CARE Canada.

CARE Canada manages several funding agreements with external restrictions that specify the conditions for using these financial resources. CARE Canada has complied with the requirements respecting these restricted contributions. CARE Canada monitors its capital by reviewing various financial metrics, including cash flows and variances to forecasts and budgets.

During the year, CARE Canada transferred an amount of \$ 505 of the Emergency Fund into the unrestricted Annual Fund to cover the education, training and logistics of the emergency relief through CARE's rapid response team.

Capital management objectives, policies and procedures are unchanged since the preceding year. CARE Canada has complied with all the capital requirements.

4. Deferred contributions

Short-term deferred contributions represent externally restricted contributions to fund program expenses for the next twelve months.

	2017	2016
	\$	\$
Balance, beginning of year		
Short-term deferred contributions	42,814	36,143
Contributions receivable from donors	(5,779)	(4,733)
	37,035	31,410
Amounts received during the year		
Cash	154,130	126,805
In-kind (Note 7)	14,133	13,322
	168,263	140,127
Amounts recognized as revenue	(167,900)	(134,502)
	363	5,625
Balance, end of year	37,398	37,035
Balance, end of year represented by:		
Short-term deferred contributions	42,662	42,814
Contributions receivable from donors	(5,264)	(5,779)
	37,398	37,035

Contributions receivable include \$ 719 (2016 - \$ 1,298) associated with projects held with GAC.

Short-term deferred contributions include \$ 3,390 (2016 - \$ 4,427) of unliquidated advances. This amount is included in amounts receivable on the statement of financial position.

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Notes to the financial statements

June 30, 2017

(in thousands of dollars)

4. Deferred contributions (continued)

Long-term deferred contributions of \$ 230 (2016 - \$ 230) are represented by restricted investments in fixed income securities. The principal of \$ 230 must be maintained until 2031. The fair value of the restricted investments is \$ 240 (2016 - \$ 240).

Coupon rates on the bonds as at June 30, 2017 range between 2.12% and 2.57% (2016 - between 2.12% and 2.57%) and will mature between December 2017 and December 2019 (2016 - December 2017 and December 2019).

5. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	249	-	249	249
Buildings	4,503	1,424	3,079	3,208
Vehicles	1,253	1,162	91	154
Leasehold improvements	79	79	-	-
Office equipment	545	512	33	34
Computer equipment	723	633	90	45
Computer software	3,700	3,652	48	-
	11,052	7,462	3,590	3,690

Cost and accumulated amortization as at June 30, 2017 amounted to \$ 10,918 and \$ 7,228, respectively.

6. Long-term debt

	2017	2016
	\$	\$
Mortgage, payable in monthly instalments of \$ 21, including principal and interest, at an annual rate of 3.80%, secured by land and a building with a net book value of \$ 3,327 (2016 - \$ 3,457), maturing in October 2018	329	565
Less current portion	(245)	(236)
	84	329

Estimated principal repayments over the next two years based on current terms and conditions are as follows:

	\$
2018	245
2019	84
	329

The fair value of the mortgage approximates its book value.

CARE Canada

Notes to the financial statements

June 30, 2017

(in thousands of dollars)

7. Contributions-in-kind

Contributions in kind received from multilateral donors, Government of Canada and other organizations are recorded as revenue and program activity expenses at fair value. Contributions-in-kind included in revenue and program activity expenses are as follows:

	2017	2016
	\$	\$
Zimbabwe	6,710	2,248
Kenya	7,423	11,059
Zambia	-	10
Nepal	-	5
	14,133	13,322

8. Pension plan

The pension plan for employees of CARE Canada (the "Plan") is a defined contribution plan covering all employees of CARE Canada who meet eligibility requirements as specified in the Plan Agreement. CARE Canada is required to contribute 5% of the employee's gross earnings for all members. CARE Canada contributed \$ 310 (2016 - \$ 242) during the year.

9. Controlled entity

CARE Canada has committed to provide funds to CEP Investment Trust to fund certain investment activities. The loan is unsecured and without any established term of repayment. The fair value of the loans receivable is approximately \$ 314 (2016 - \$ 343).

As at December 31, 2016, CEP Investment Trust had total assets of \$ 317 (2015 - \$ 334), total liabilities of \$ 326 (2015 - \$ 343) and a capital deficit of \$ 9 (2015 - deficit of \$ 9). Total revenues in 2016 were \$ 3 (2015 - \$ 5) and expenses were \$ 3 (2015 - \$ 28). The CEP Investment Trust made a capital distribution of \$ 20 to CARE Canada in 2016 (2015 - \$ 113).

10. Commitments and contingent liabilities

Leases

CARE Canada is committed under operating leases in Country Offices and in Canada as follows:

	\$
2018	486
2019	84
2020	6
2021	1
	577

Legal actions

In the ordinary course of business, CARE Canada becomes involved in various legal actions. While the ultimate effect of such actions cannot be ascertained at this time, management believes that their resolution will not have a material adverse effect on the financial statements.

CARE Canada

Notes to the financial statements

June 30, 2017

(in thousands of dollars)

10. Commitments and contingent liabilities (continued)

Uncertain tax position

CARE Canada has appealed and is currently negotiating a disputed tax assessment related to expatriate CARE International staff in Kenya. The maximum exposure is currently established at \$ 3,010 (2016 - \$ 3,010) under which CARE Canada's portion is estimated at \$ 660 (2016 - \$ 660). A portion of CARE Canada's estimated exposure has been reflected in these financial statements.

Credit facility

An unsecured line of credit of \$ 2,000, renewable on an annual basis is available for use by CARE Canada. Advances under the line of credit bear interest at the bank's prime rate and are repayable on demand. As at June 30, 2017, there was no outstanding balance (2016 - Nil). A funded project in Cuba by GAC required a letter of guarantee of \$ 500. This reduces the amount of available credit.

11. Guarantees

As stated in Note 2, the contributions from GAC and other contributions are subject to restrictions as to the use of the funds. CARE Canada's accounting records, as well as those of member institutions subcontracted to execute the projects, are subject to audit by GAC and other funding agencies to identify instances, if any, in which the amounts charged to projects have not complied with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits, if any, will be recorded in the period in which they become known.

12. Allocation of expenses

A portion of program activities are related to administration costs incurred in CARE Canada's six (2016 - six) overseas Country Offices. These costs have been allocated as follows:

	2017	2016
	\$	\$
Allocated to:		
Program activities		
Humanitarian Programs	2 109	1 369
Development Programs:		
Food & Nutrition Security and Resilience to Climate Change	1 397	468
A Life Free from Violence	12	166
Sexual, Reproductive and Maternal Health	656	727
Women's Economic Empowerment	937	438
Other	972	887
	6 083	4 055
Allocated from:		
Support services	6 083	4 055

CARE Canada

Notes to the financial statements

June 30, 2017

(in thousands of dollars)

13. Financial instruments

Fair values

The carrying values of accounts receivable, contributions receivable from donors, accounts payable and accrued liabilities and government remittances payable approximate their fair value due to the relatively short periods to maturity of the instruments.

Refer to Notes 4 and 6 for fair values related to CARE Canada's other financial instruments.

Investment risk

CARE Canada's Board of Directors has approved an Investment Policy that provides the guidelines for managing the investments of the organization. The overall objective of CARE Canada's investment program is to allocate the assets of CARE Canada in order to support the strategic and operational objectives of the organization.

Foreign exchange risk

CARE Canada operates internationally, giving rise to significant exposure to market risks from changes in interest rates and foreign exchange rates. CARE Canada does not use derivatives to hedge its foreign exchange risk but relies on prudent cash management practices to minimize exposure to foreign exchange risk.

Amounts denominated in foreign currencies are as follows:

	2017		2016	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
	\$	\$	\$	\$
United States Dollars	11,572	9,080	18,888	8,934
British Pounds	1,385	-	3,619	394
Euros	4,359	2,455	963	695
Chad XAF	3,172	1,802	2,466	2,973
Cuban Pesos	8	-	6	2
Indonesian Rupiah	52	138	66	357
Kenyan Shilling	1,455	1,849	1,768	1,909
Zambia Kwacha	232	885	110	445
	22,235	16,209	27,886	15,709

Monetary assets include cash and cash equivalents, accounts receivable and contributions receivable from donors. Monetary liabilities include accounts payable and accrued liabilities and deferred contributions.

Credit risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of CARE Canada is represented by the fair value of the investments and all receivables as presented in the statement of financial position.

Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on CARE Canada cash flows, financial position, investment income and interest expenses. CARE Canada's mortgage and fixed income investments are exposed to interest rate changes. The impact of adverse changes in rates is not considered material.

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Notes to the financial statements

June 30, 2017

(in thousands of dollars)

14. Tax receipted donations

CARE Canada is a member of Imagine Canada and has adopted the Ethical Fundraising and Financial Accountability Code (the "Code"). The Code requires disclosure of donations that are receipted for income tax purposes. During the year, CARE Canada issued donation receipts for income tax purposes in the amount of \$ 4,855 (2016 - \$ 4,324). This figure does not include non-receiptable fundraising revenues received during the year from other charitable organizations.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.