
Financial statements of CARE Canada

June 30, 2018

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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, 2018, 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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, 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.



Chartered Professional Accountants
Licensed Public Accountants
November 28, 2018

CARE Canada

Statement of financial position

as at June 30, 2018
(In thousands of dollars)

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents		36,480	42,514
Amounts receivable		3,747	4,884
Contributions receivable from donors	4	5,652	5,264
Prepaid expenses		243	239
		46,122	52,901
Restricted investments	4	246	240
Loans receivable	9	328	314
Capital assets	5	3,473	3,590
		50,169	57,045
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		8,562	7,173
Government remittances payable		214	156
Deferred contributions	4	34,371	42,662
Current portion of long-term debt	6	84	245
		43,231	50,236
Long-term debt	6	-	84
Deferred contributions	4	230	230
		43,461	50,550
Commitments, contingent liabilities and guarantees	10 and 11		
Fund balances			
Annual Fund			
Unrestricted		3,075	2,825
Invested in capital assets		3,389	3,261
Venture and Emergency Fund		244	409
		6,708	6,495
		50,169	57,045

The accompanying notes are an integral part of the financial statements

On behalf of the Board



_____, Director



_____, Director

CARE Canada

Statement of operations

Year ended June 30, 2018

(In thousands of dollars)

	2018	2017
	\$	\$
Support and revenue		
Fundraising	9,484	10,108
Canadian funded	56,710	37,459
Globally funded	24,039	30,831
CARE International members	31,939	94,371
Miscellaneous and investment revenue	1,489	2,062
	123,661	174,831
Expenses		
Program activities		
Humanitarian programs	57,939	88,978
Development programs		
Food & Nutrition Security and Resilience to Climate Change	31,911	36,987
A Life Free From Violence	168	1,447
Sexual, Reproductive and Maternal Health	5,083	8,035
Women's Economic Empowerment	10,543	19,484
Other	6,308	8,726
Country office management and International Programming	3,945	3,746
	115,897	167,403
Support services		
Management and general	5,262	4,521
Fundraising, public and donor relations	1,478	1,736
Membership in CARE International	811	991
	7,551	7,248
	123,448	174,651
Excess of revenue over expenses	213	180

The accompanying notes are an integral part of the financial statements

CARE Canada

Statement of changes in fund balances

Year ended June 30, 2018

(In thousands of dollars)

	Notes	Annual Fund			Total
		Venture and Emergency Fund	Invested in capital assets	Unrestricted	2018
		\$	\$	\$	2017
		\$	\$	\$	\$
Fund balances, beginning of year		409	3,261	2,825	6,495
Excess of revenue over expenses		-	-	213	180
Interfund transfer	3	(165)	-	165	-
Net change in invested in capital assets ¹		-	128	(128)	-
Fund balances, end of year		244	3,389	3,075	6,708

¹ Net change in invested in capital assets					
Acquisition of capital assets					12
Amortization of capital assets					(129)
Repayment of long-term debt					245
					128

The accompanying notes are an integral part of the financial statements

CARE Canada

Statement of cash flows

Year ended June 30, 2018

(In thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses	213	180
Items not affecting cash:		
Amortization of capital assets	129	207
	342	387
Changes in non-cash operating working capital items:		
Decrease in amounts receivable	1,137	1,841
(Increase) decrease in contributions receivable from donors	(388)	515
(Increase) decrease in prepaid expenses	(4)	195
Increase in accounts payable and accrued liabilities	1,389	1,528
Increase (decrease) in government remittances payable	58	(25)
Decrease in deferred contributions	(8,291)	(152)
	(5,757)	4,289
Investing activities		
Acquisition of capital assets	(12)	(107)
(Increase) decrease in loans receivable	(14)	29
Increase in restricted investments	(6)	-
	(32)	(78)
Financing activities		
Repayment of long-term debt	(245)	(236)
Net cash (outflow) inflow	(6,034)	3,975
Cash and cash equivalents, beginning of year	42,514	38,539
Cash and cash equivalents, end of year	36,480	42,514

The accompanying notes are an integral part of the financial statements

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 (six in 2017) 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.

2. Significant accounting policies (continued)

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.

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 revenue is recognized as revenue 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 cost 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. CARE Canada 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 (six in 2017) 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.

2. Significant accounting policies (continued)

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

Transaction costs related to financial assets measured at fair value are expensed as incurred. Transaction costs related to other financial assets and financial liabilities are included or deducted in the initial measurement of the asset or liability.

Cash and cash equivalents

Cash and cash equivalents include internally restricted and unrestricted cash and cash equivalents. 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 licences and associated consulting costs and the payroll costs of employees directly associated with the 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.

2. Significant accounting policies (continued)

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, allowance for doubtful amounts receivable, the useful life of capital assets, the fair value of investments, the amount of certain 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.

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 the 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 \$165 of the Venture and Emergency Fund into the unrestricted Annual Fund to cover the education, training and logistics of the emergency relief through CARE Canada'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.

	2018	2017
	\$	\$
Balance, beginning of year		
Short-term deferred contributions	42,662	42,814
Contributions receivable from donors	(5,264)	(5,779)
	37,398	37,035
Amounts received during the year		
Cash	101,676	154,130
In-kind (Note 7)	7,464	14,133
	109,140	168,263
Amounts recognized as revenue	(117,819)	(167,900)
	(8,679)	363
Balance, end of year	28,719	37,398
Balance, end of year represented by:		
Short-term deferred contributions	34,371	42,662
Contributions receivable from donors	(5,652)	(5,264)
	28,719	37,398

Contributions receivable include \$2,246 (\$719 in 2017) associated with projects held with GAC.

Short-term deferred contributions include \$2,020 (\$3,390 in 2017) of unliquidated advances. This amount is included in amounts receivable on the statement of financial position.

Restricted investments

Long-term deferred contributions of \$230 (\$230 in 2017) 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 \$246 (\$240 in 2017). Coupon rates on the bonds as at June 30, 2018, range between 2.30% and 3.05% (between 2.12% and 2.57% in 2017) and will mature between December 2018 and April 2023 (December 2017 and December 2019 in 2017).

5. Capital assets

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	249	-	249	249
Buildings	4,510	1,573	2,937	3,079
Vehicles	1,214	1,098	116	91
Leasehold improvements	82	82	-	-
Office equipment	546	525	21	33
Computer equipment	768	675	93	90
Computer software	4,498	4,441	57	48
	11,867	8,394	3,473	3,590

Cost and accumulated amortization as at June 30, 2017, amounted to \$11,052 and \$7,462, respectively.

6. Long-term debt

	2018	2017
	\$	\$
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 \$3,186 (\$3,327 in 2017), maturing in October 2018	84	329
Current portion	(84)	(245)
	-	84

The fair value of the mortgage approximates its book value.

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 activities expenses are as follows:

	2018	2017
	\$	\$
Zimbabwe	1,163	6,710
Kenya	6,301	7,423
	7,464	14,133

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 \$261 (\$310 in 2017) during the year.

9. Controlled entity

CARE Canada has committed to provide funds to the CEP Investment Trust to fund certain investment activities. The loans are unsecured and without any established term of repayment. The fair value of the loans receivable is approximately \$328 (\$314 in 2017).

As at December 31, 2017, the CEP Investment Trust had total assets of \$317 (\$317 in 2016), total liabilities of \$329 (\$326 in 2016) and a capital deficit of \$12 (deficit of \$9 in 2016). Total revenues in 2017 were nil (\$3 in 2016) and expenses were \$3 (\$3 in 2016). The CEP Investment Trust made a capital distribution of nil to CARE Canada in 2017 (\$20 in 2016).

10. Commitments and contingent liabilities

Leases

CARE Canada is committed under operating leases in country offices and in Canada which mature between 2019 and 2021. The annual minimum payments are as follows:

	\$
2019	437
2020	62
2021	1
2022	-
2023	-
	<u>500</u>

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.

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 (\$3,010 in 2017) under which CARE Canada's portion is estimated at \$660 (\$660 in 2017). 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 (\$2,000 in 2017), 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, 2018, there was no outstanding balance (nil in 2017). 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 is related to administration costs incurred in CARE Canada's six (six in 2017) overseas country offices. These costs have been allocated as follows:

	2018	2017
	\$	\$
Allocated to:		
Program activities		
Humanitarian Programs	1,565	2,109
Development Programs:		
Food & Nutrition Security and Resilience to Climate Change	1,006	1,397
A Life Free from Violence	20	12
Sexual, Reproductive and Maternal Health	151	656
Women's Economic Empowerment	263	937
Other	458	972
	3,463	6,083
Allocated from:		
Support services	3,463	6,083

13. Financial instruments

Fair values

The carrying values of amounts 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.

13. Financial instruments (continued)

Amounts denominated in foreign currencies are as follows:

	2018		2017	
	Monetary assets	Monetary liabilities	Monetary assets	Monetary liabilities
	\$	\$	\$	\$
United States dollars	11,381	5,764	11,572	9,080
British pounds	2,847	-	1,385	-
Euros	1,196	383	4,359	2,455
Chad XAF	3,931	4,720	3,172	1,802
Cuban pesos	3	2	8	-
Indonesian rupiah	91	154	52	138
Kenyan shilling	882	2,043	1,455	1,849
Zambia kwacha	625	1,011	232	885
	20,956	14,077	22,235	16,209

Monetary assets include cash and cash equivalents, amounts 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.

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 \$3,706 (\$4,855 in 2017). 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.